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SUGGESTED PLAN FOR MONETARY LEGISLATION

Submitted to the National Monetary Commission by Hon. Nelson W. Aldrich, Chairman

Washington, January 16, 1911.

Dear Mr. Vreeland: I had hoped, as you know, to be able to discuss informally with you and other members of the Commission the ideas which I have been formulating in regard to monetary legislation. Your absence from the city and my illness have made it impossible for me to discuss the matter freely with you, as I intended. My purpose was to call a meeting of the Commission early this week for the purpose of laying before them a general outline of my own plan for remedial legislation.

I now find that it will be necessary for me to leave for the South to-day and that it will not be possible for me to confer with the members of the Commission. I have asked that a meeting be called for Tuesday morning, at which it will not be possible, of course, for me to be present, but I will be glad if you will present to the Commission the suggestions which I send you herewith.

I have been for some time clearly of the opinion that it would be necessary to have some tentative plan as the subject of discussion and criticism. I, of course, do not expect the immediate approval of the Commission or that any formal action will be taken upon it. The plan suggested is a personal one that I fully believe will answer the requirements of changed conditions. It will certainly furnish to the commercial organizations of the country, who are now considering this subject, a basis for criticism and discussion.

Very truly yours,

NELSON W. ALDRICH,

Chairman.

HON. EDWARD B. VREELAND,

Vice-Chairman National Monetary Commission,
Washington, D. C.

Washington, January 16, 1911.

In conformity with the suggestion made at the last meeting of the National Monetary Commission, I

have prepared an outline for a tentative plan for the revision of our national banking legislation, which I beg herewith to submit to the Commission. In doing this it has been my aim to suggest changes in the national-banking act which will make it responsive to the demands of modern business. The study which the Commission has given to this subject has, I believe, led irresistibly to the conclusion that our present banking system, which was adopted nearly half a century ago and has remained practically unchanged, not only fails completely under stress and in the presence of unusual demands upon its resources, but has been found inadequate and unresponsive even under the ordinary conditions of business.

The suggestions submitted herewith are the result of years of study which I have given this subject, and are formulated in the light of the great mass of information which the Commission has gathered respecting both our own banking system and needs and the experience and practices of foreign countries.

If I am right in believing that the present law has become obsolete—and of this there can be no doubt—there is, then, no room for argument in regard to the necessity for modernizing the law. Assuming such to be the case, it must be our aim to accomplish this result with as little disarrangement as possible. It should be our aim to liberalize the present national-banking act and to add to it such features as are deemed essential, rather than to formulate any plan which will fundamentally change our present system.

In the light of our experience it is obvious that one of the principal needs is to find some method for the unification of our present banking institutions into one comprehensive system. In other countries we have found that reserves are concentrated and used freely in any direction where needed. Under our faulty system reserves are so scattered as to be unavailable in time of trouble either for purposes of assistance or defense.

The result of our law has been to create a banking system made up of a great number of isolated units, each working within a limited circle and each of necessity governed by its own immediate interests, without reference to what would be for the greatest good of all. While the intelligent managers of individual banks may fully recognize the necessity of greater co-operation, they are, under the law, powerless to effect it.

If we can so amend the present national banking act as to permit the formation of an association of all the banks of the country to meet these needs, we shall have gone a long way toward solving the problem which is before us. If, then, in addition, we provide a more scientific basis for bank-note circulation, so that the volume of circulation will be responsive to the needs of business, we shall, I believe, have met the two main requirements of a satisfactory solution. In addition to that, if we can aid in creating a discount market in this country similar to the discount markets in Europe, so that the most liquid portion of our bank funds will not of necessity be forced to such a large degree as at present into the making of call loans upon stock exchange collateral, but will, instead, be available for the needs of commercial business, we shall have so broadened our banking methods as to bring incalculable benefit to the commercial life of the country.

I believe that the conclusions which I present herewith meet those conditions, and that the organization which it is proposed to create will insure the benefits which we seek without running any risk of creating a financial institution which can be controlled by ambitious monetary interests or dominated by political influence.

While we have found much that is admirable in the operation of the various government banks of Europe, none of them is applicable to our needs here. The good results which they obtain can, I believe, be reached without the creation of such a central bank. I feel that the plan which is proposed reaches those results without being open to the objections which may well be brought against such an institution.

I recognize the fact that the formulation of a definite plan is the task of the Commission, and can be accomplished only after the subject has been studied with care in all parts of the country. Discussion will certainly modify and improve its details.

I hope that the plan which I now submit for your consideration, and which, in its main features, in my opinion, meets the necessary requirements, may be found of value to the Commission in the necessary work of construction.

NELSON W. ALDRICH,
Chairman National Monetary Commission.

RESERVE ASSOCIATION OF AMERICA.

Charter and Location.

It is proposed to charter the Reserve Association of America, which will be the principal fiscal agent of the Government of the United States. The authorized capital of the Reserve Association shall be approximately \$300,000,000. The length of its charter

shall be 50 years. The head office of the association shall be in Washington, D. C.

The country shall be divided into 15 districts, and a branch of the Reserve Association shall be located in each district.

The Reserve Association and its branches shall be exempt from State and local taxation, except in respect to taxes upon real estate owned by it.

Capital.

Only national banks of the classes hereinafter provided for may subscribe to the capital stock of the Reserve Association. A national bank having a minimum capital of at least \$25,000 may subscribe to an amount of capital stock of the Reserve Association equal to 20 per cent. of the stock of the subscribing national bank, and not less, and each of such subscribing banks shall become a member of a local association as hereinafter provided for. Fifty per cent. of the subscriptions to the capital stock of the Reserve Association shall be called in cash; the balance of the subscriptions will remain a liability of the stockholders, subject to call.

Shares of the capital stock of the Reserve Association will not be transferable, and under no circumstances may they be owned by any corporation other than the subscribing national bank, nor by any individual, nor may they be owned by any national bank in any other amount than in the proportion here provided. In the case of a national bank increasing its capital after it once becomes a subscriber to the stock of the Reserve Association, the national bank shall thereupon subscribe for an additional amount of the capital stock of the Reserve Association equal to 20 per cent. of the national bank's increase of capital, paying therefor its then book value, but only one-half of this additional subscription will be called in cash, as hereinbefore provided. In the event of a national bank which is a holder of the capital stock of the Reserve Association decreasing its capital, it shall surrender a proportionate amount of its holdings of the capital stock of the Reserve Association; or if a national bank goes into liquidation, it shall surrender all of its holdings of the capital stock of the Reserve Association. The capital of the Reserve Association so surrendered shall be cancelled, and the national bank thus surrendering stock in the Reserve Association shall receive in payment therefor a sum equal to the then book value, as shown on the balance sheet of the Reserve Association, of the stock so surrendered.

Earnings and Dividends.

The earnings of the Reserve Association shall be distributed in the following manner:

After the payment of all expenses and taxes the stockholders shall receive 4 per cent. Further earnings shall be divided, one-half to go to the surplus of the Reserve Association until that surplus shall amount to 20 per cent. of the paid-in capital; one-fourth to go to the Government of the United States, and one-fourth to the stockholders; but when the stockholders' dividends shall reach 5 per cent. they shall receive no additional distribution. After the stockholders receive 5 per cent. the earnings shall be divided, one-half to be added to the surplus of the

Reserve Association and one-half to go to the Government. After the stockholders receive 5 per cent. per annum and the surplus of the Reserve Association amounts to 20 per cent. of the paid-in capital, all excess earnings shall go to the Government. The minimum dividends to the stockholders shall be cumulative.

Local Associations of National Banks.

All subscribing banks shall be formed into associations of national banks, to be designated as local associations. Every local association shall be composed of not less than 10 banks, and the combined capital and surplus of the members of each local association shall aggregate not less than \$5,000,000.

All the local associations shall be grouped into 15 divisions, to be called districts. The territory included in the local associations shall be so apportioned that every national bank will be located within the boundaries of some local association. Every subscribing national bank shall become a member of the local association of the territory in which it is situated.

Directors of Local Associations.

Each local association shall elect annually a board of directors in the following manner:

The number of the directors may be determined by the by-laws of the local associations. Three-fifths of that number shall be elected by ballot cast by the representatives of the banks that are members of the local association, each bank having one representative, and each representative one vote, without reference to the size of the bank. Two-fifths of the whole number of directors of the local association shall be elected by these same representatives of the several banks that are members of the association, but in voting for these additional directors each representative shall be entitled to as many votes as the bank which he represents holds shares in the Reserve Association. At such elections there shall be no proxies. The authorized representatives of a bank, as herein provided, must be either the president, vice-president, or cashier of the bank he represents.

Directors of Branches.

As heretofore provided, all the local associations shall be grouped into 15 divisions, and each of these divisions shall be designated a district. There shall be located in each district a branch of the Reserve Association. Each of the 15 branches of the Reserve Association shall have a board of directors, and those directors shall be elected in the following manner:

The board of directors of each local association shall elect by ballot one member of the board of directors of the branch of the Reserve Association. In this manner there will thus be elected as many directors of the branch of the Reserve Association as there may be local associations in the district in which that branch of the Reserve Association is located. In addition to that number there shall be elected a number of the directors equal to two-thirds of the number of local associations in the district where the branch is located. Such additional directors shall be elected in the following manner:

There shall be chosen by the banks composing each local association a voting representative or proxy

holder. In choosing such voting representative each bank shall be entitled to as many votes as it holds shares in the Reserve Association. The voting representatives of the several local associations which form a district shall then meet at the office of the branch and elect an additional number of directors of the branch equal to two-thirds of the number elected directly by the local associations; that is, equal to two-thirds of the number of local associations composing the district. Each voting representative at such election shall have a number of votes equal to the number of shares in the Reserve Association held by all the banks composing the local association which he represents.

The first business of the board of the branch as thus constituted shall be to add to its numbers by the election of an additional number of directors equal to one-third the number of local associations situated in the district. Such additional directors shall fairly represent the industrial, commercial, agricultural and other interests of the district and shall not be officers of banks. Directors of banks shall not be considered as officers.

The manager of the branch shall be ex-officio a member of the board of directors of the branch and shall be chairman of the board.

The board of directors of a branch of the Reserve Association will thus be composed of—

First, a group of directors equal in number to the number of local associations composing the district, and this group shall be elected by the directors of the local association, each director having one vote.

Second. A group of directors equal to two-thirds of the foregoing group and elected by stock representation.

Third. A group of directors equal in number to one-third of the first group, representing the industrial, commercial, agricultural and other interests of the district, and elected by the votes of the first two groups, each director thus voting having one vote.

Fourth. The manager of the branch shall be ex officio a member of the board of directors of the branch and shall be chairman of the board.

All the members of the board of directors of the branch, except the ex officio member, shall, at the first meeting of the board, be classified into three classes, and the terms of office of these three classes shall be, respectively, one, two, and three years. Thereafter members of the board shall be elected for a term of three years.

Directors of the Reserve Association.

The board of the Reserve Association shall consist of 45 directors, and it shall be composed in the following manner:

First. Six ex officio members, namely, the governor of the Reserve Association, who shall be chairman of the board; two deputy governors of the Reserve Association, the Secretary of the Treasury, the Secretary of Commerce and Labor, and the Comptroller of the Currency.

Second. Fifteen directors to be elected, one by the board of directors of each branch of the Reserve Association. They shall be elected by ballot, each member of the branch board having one vote.

Third. Twelve directors, who shall be elected by

voting representatives, one representing the banks embraced in each district. Each voting representative shall cast a number of votes equal to the number of shares in the Reserve Association held by all the banks in the district which he represents.

Fourth. The board as thus constituted shall select 12 additional members, who shall fairly represent the industrial, commercial, agricultural, and other interests of the country, and who shall not be officers of banks. Directors of banks shall not be considered as officers.

At the first meeting of the board all the members of the board, except the ex officio members, shall be classified into three classes, and the terms of office of these three classes shall be, respectively, one, two, and three years. Thereafter members of the board shall be elected for a term of three years.

No member of any national or State legislative body shall be a director of the Reserve Association, nor of any of the branches, nor of any local association.

The directors of the Reserve Association shall annually elect an executive committee and such other committees as the by-laws of the Reserve Association may provide. The executive committee shall consist of nine members, of which the governor of the Reserve Association shall be ex officio chairman and the two deputies and the Comptroller of the Currency ex officio members.

The executive committee shall have all the authority which is vested in the board of directors, except such as may be specifically delegated by the board to other committees or to the executive officers.

There shall be a board of supervision elected by the board of directors from among its number, of which the Secretary of the Treasury shall be ex officio chairman.

Executive Officers of the Reserve Association.

The executive officers of the Reserve Association shall consist of a governor, two deputy governors, a secretary, and such subordinate officers as may be provided by the by-laws. The governor and deputy governors shall be selected by the President of the United States from a list submitted by the board of directors. The governor shall be subject to removal by the President of the United States for cause. The term of office of the deputies shall be seven years, but the two deputies first appointed shall be for terms of four years and seven years, respectively.

In the absence of the governor or his inability to act, the deputy who is senior in point of service shall act as governor.

Executive Officers of Branches.

Each branch shall have a manager and a deputy manager. They shall be appointed by the governor of the Reserve Association, with the approval of the executive committee.

The powers and duties of the manager and deputy manager and of the various committees of the branches shall be prescribed by the by-laws of the Reserve Association.

Functions of the Local Associations.

Any member of a local association may apply to that local association for a guaranty of the com-

mercial paper which it desires to rediscount at the branch of the Reserve Association in its district. Any such bank receiving a guaranty from a local association shall pay a commission to the local association, to be fixed from time to time by the board of directors of that local association. The guaranty of the members of the local association, in the event of loss, shall be met by the members of the local association in the proportion to the ratio which their capital and surplus bears to the aggregate capital and surplus of the local association, and the commission received for such guaranty, after the payment of losses and expenses, shall be distributed among the several banks of the local association in the same proportion. A local association shall have authority to require additional security from any bank offering paper for guaranty, or may decline to grant the application.

The total amount of guaranties by a local association to the Reserve Association shall not at any time exceed the aggregate capital and surplus of the banks forming the guaranteeing association.

Functions of the Reserve Association.

All of the privileges and advantages of the Reserve Association shall be equitably extended to every national bank of any of the classes herein defined who shall subscribe to its proportion of the stock of the Reserve Association and shall otherwise conform to the requirements of this act.

The Government of the United States and those national banks owning stock in the Reserve Association shall be the sole depositors in the Reserve Association. All domestic transactions of the Reserve Association shall be confined to the Government and the subscribing banks, with the exception of the purchase or sale of Government or State securities or securities of foreign governments or of gold coin or bullion.

The Government of the United States shall deposit its cash balance with the Reserve Association and thereafter all receipts of the Government shall be deposited with the Reserve Association or (when necessary) with such national banks as the Government may designate for that purpose in cities where there is no branch of the Reserve Association. All disbursements by the Government shall be made through the Reserve Association.

The Reserve Association shall pay no interest on deposits.

The Reserve Association may rediscount notes and bills of exchange arising out of commercial transactions, for and with the indorsement of any bank having a deposit with it. Such notes and bills must have a maturity of not more than 28 days, and must have been made at least 30 days prior to the date of rediscount. The amount so rediscounted shall in no case exceed the capital of the bank applying for the rediscount. The aggregate of such notes and bills bearing the signature or indorsement of any one person, company, corporation, or firm, rediscounted for any one bank, shall at no time exceed 10 per cent. of the capital and surplus of said bank.

The Reserve Association may also rediscount for any depositing bank notes and bills of exchange, arising out of commercial transactions, having more

than 28 days, but not exceeding four months, to run, but in such cases the paper must be guaranteed by the local association of which the bank asking for the rediscounit is a member.

Whenever, in the opinion of the governor of the Reserve Association, the public interests so require, such opinion to be concurred in by the executive committee of the Reserve Association and to have the definite approval of the Secretary of the Treasury, the Reserve Association may discount the direct obligation of a depositing bank, indorsed by its local association, provided that the indorsement of the local association shall be fully secured by the pledge and deposit with it of satisfactory securities, which shall be held by the local association for account of the Reserve Association; but in no such case shall the amount loaned by the Reserve Association exceed two-thirds of the actual value of the securities so pledged.

The rate of discount of the Reserve Association, which shall be uniform throughout the United States, shall be fixed from time to time by the executive committee and duly published.

The Reserve Association may, whenever its own condition and the general financial conditions warrant such investment, purchase to a limited amount from a depositing bank acceptances of banks or houses of unquestioned financial responsibility. Such acceptances must arise from commercial transactions and have a maturity not exceeding 90 days, and must be of a character generally known in the market as prime bills. Such acceptances shall also bear the indorsement of the depositing bank selling the same, which indorsement must be other than that of the acceptor.

The Reserve Association may invest in United States bonds and in short-term obligations—that is, obligations having not more than one year to run—of the United States, or of any State, or of certain foreign governments to be named in the act.

The Reserve Association shall have power at home and abroad to deal in gold coin or bullion, to grant loans thereon, and to contract for loans of gold coin or bullion, giving, when necessary, acceptable security for their repayment.

The Reserve Association shall have power to purchase from its depositors and to sell, with or without its indorsement, checks or bills of exchange payable in England, France, or Germany, and in such other foreign countries as the board of the Reserve Association may decide. These bills of exchange must arise from commercial transactions and be of a maturity not exceeding 90 days, and shall bear the signatures of at least three responsible parties, of which the last one shall be that of a depositing bank.

The Reserve Association shall have power to open and maintain banking accounts in foreign countries and to establish agencies in foreign countries, for the purpose of purchasing and selling and collecting foreign bills of exchange, and it shall have authority to buy and sell, through such agencies, prime foreign bills of exchange arising from commercial transactions, running for a period not exceeding 90 days, and bearing the signatures of two or more responsible parties.

Domestic Exchanges.

It shall be the duty of the Reserve Association or any of its branches, upon request, to transfer any part of the deposit balance of any national bank having an account with it to the credit of any other bank having an account with the Reserve Association. If a deposit balance is transferred from the books of one branch of the Reserve Association to the books of another branch, it may be done by mail or telegraph upon terms to be fixed from time to time by the executive committee.

Functions of National Banks.

In addition to the rights now conferred by law, national banks shall be authorized to accept commercial paper drawn upon them, having not more than 90 days to run, properly secured, and arising out of commercial transactions. The amount of such acceptances shall not exceed one-half the capital and surplus of the accepting bank.

National banks shall not have authority to establish branches except in the city or town in which they are located.

The organization of banks to conduct business in foreign countries shall be authorized. The stock of such banks may be held by national banks. The bank so organized may have an office in the United States, but shall not compete with national banks for domestic business not necessarily related to the business being done in foreign countries.

There shall be established a new class of national banks, to be known by a specifically designated name. Such banks may have savings departments and may make properly secured loans on real estate; such loans to be restricted to a certain proportion of the aggregate time and savings deposits in the bank. The reserve requirement in such banks will be less against savings and time deposits than against demand deposits.

Another class of national banks shall be authorized, which shall be in effect national trust companies, to be designated by some appropriate name and to exercise all the functions and have all the privileges, including length of charter, which are given to trust companies by the laws of the various States. These national institutions shall be subject, like other national banks, to inspection and examination by the National Government.

There shall be no change in the percentage of reserve required by law to be held against demand deposits by national banks, except as otherwise provided herein, but the deposit balance of any national bank in the Reserve Association shall be counted as a part of its legal reserve.

Reports to the Comptroller.

The Reserve Association shall make a report, showing the principal items of its balance sheet, to the Comptroller of the Currency once a week. These reports shall be made public. In addition, full reports shall be made to the Comptroller of the Currency coincident with the five reports called for each year from the national banks.

All reports of national bank examiners in regard to the condition of national banks shall hereafter be made in duplicate, and one copy shall be filed with

the Reserve Association for the confidential use of its executive officers.

National banks of all classes shall hereafter make a weekly report to the Comptroller of the Currency showing the principal items of their balance sheets, such reports to be available for the use of the executive officers of the Reserve Association.

Note Issues.

There is hereafter to be no further issue, beyond the amount now outstanding, of bank notes by national banks. National banks may, if they choose, maintain their present note issue, but whenever a bank retires the whole or any part of its existing issue it will permanently surrender its right to reissue the notes so retired.

The Reserve Association must, for a period of one year, offer to purchase at _____ (a price not less than par and accrued interest) the 2 per cent. bonds now held by national banks and deposited to secure their circulating notes. The Reserve Association shall take over these bonds with the existing currency privilege attached and assume responsibility for the redemption (upon presentation) of outstanding notes secured thereby. The Reserve Association shall issue, on the terms herein provided, its own notes as fast as the outstanding notes secured by such bonds so held shall be presented for redemption, it being the policy of the United States to retire as rapidly as possible, consistent with the public interests, bond secured circulation and to substitute therefor notes of the Reserve Association of a character and secured and redeemed in the manner provided for in this act.

The Reserve Association agrees to hold, for a period of not less than 10 years, the bonds so purchased, or any Government security which may be exchanged for them by refunding or otherwise. The Reserve Association, however, shall have the right, with the approval of the Secretary of the Treasury, after two years to dispose annually of \$50,000,000 of the bonds held by it to secure circulation. The Government reserves the right at all times to purchase at par from the Reserve Association, through the trustees of the postal savings bank or otherwise, any or all of such bonds so held.

If the Government should adopt the policy of issuing securities at a higher rate of interest than 2 per cent., the Reserve Association shall have the right to exchange at par the Government bonds which it may have acquired from the national banks, previously held by them to secure circulation, for any bonds bearing interest at a rate not exceeding 3 per cent., but in that event the amount of annual taxes to be paid on notes based upon such new securities shall be as much greater as the interest rate of the new securities shall exceed 2 per cent.

To illustrate: If the Government should decide hereafter to issue a $2\frac{1}{2}$ per cent. bond, the rate of taxation on currency issued by the Reserve Association thereon would be 1 per cent., instead of one-half of 1 per cent., as on the existing twos, and upon a 3 per cent. bond the rate of taxation would be $1\frac{1}{2}$ per cent.

In addition to the authority to issue notes to re-

place any national bank notes outstanding at the time of the organization of the Reserve Association, it shall have the right to issue additional circulating notes as follows: The whole or any part of the first \$100,000,000 of such additional notes shall pay to the Government an annual tax of 3 per cent.; above \$100,000,000 and not more than \$200,000,000 may be issued at an annual tax of 4 per cent.; above \$200,000,000 and not more than \$300,000,000 may be issued at an annual tax of 5 per cent.; all above \$300,000,000 shall pay an annual tax of 6 per cent.

All note issues of the Reserve Association must be covered to the extent of at least one-third by gold or other lawful money, and the remaining portion by bonds of the United States or bankable commercial paper as herein defined, or both. (It should be provided either that the Reserve Association may also hold in its reserve foreign coin, or that the Treasury will issue gold certificates against foreign coin.) The notes are to constitute a first lien upon all the assets of the Reserve Association, and adequate provision must be made for their immediate redemption in lawful money on presentation at the head office of the Reserve Association or any of its branches.

The notes of the Reserve Association shall be received at par in payment of all taxes, excises, and other dues to the United States, and for all salaries and other debts and demands owing by the United States to individuals, corporations, or associations, except obligations of the Government which are by their terms specifically payable in gold, and for all debts due from or by one national bank to another, and for all obligations due to a national bank.

The Reserve Association shall at once, upon application and without charge for transportation, forward its circulating notes to any depositing bank against its credit balance.

ADMINISTRATIVE COMMITTEE MEETING.

The Administrative Committee of the American Bankers Association, comprised of the executive officers, met in New York, January 16th and 17th. Their deliberations were largely on routine business matters.

Nashville was selected for the May meeting of the Executive Council, which will be held at the Hotel Hermitage. Committee meetings will be held on Monday, May 1st, and the Council meetings on Tuesday and Wednesday, May 2nd and 3rd. The arrangement of all details for these meetings was left with the President and the General Secretary with power. The necessary hotel reservations have been made by the General Secretary to provide for Officers, Executive Council, Section Committees and Committees.

While some consideration was given to the next meeting place of the Association, invitations having been received from San Antonio, Texas; New Orleans, La.; Richmond, Va.; and Atlantic City, the committee has not decided what recommendation it will make to the Council in May.

M. E. Alles, of Washington, D. C., was appointed a delegate to attend the conference of the Pan-American Union to be held in Washington during the week of February 13th.

TRUST COMPANY SECTION

While the Postal Savings Bank Bill was under discussion numerous inquiries were made at this office as to whether in case of its enactment into law, funds deposited thereunder could be deposited with trust companies. It was the opinion of General Counsel Paton that the provision in the bill for the deposit of such funds in any bank "subject to National or State examination" would include trust companies. Owing to the attitude of the Association regarding the bill it was not thought advisable to attempt to have trust companies as such named in the bill. Now that this bill has become a law, the board of trustees of the Postal Savings Banks have recently announced a series of rules regarding the deposit in banks of such postal savings. The following is an extract from these rules:

Section 1.—The act of Congress prescribes that the funds received at the postal savings depository offices in each city, town, village or other locality shall be deposited in banks located therein (substantially in proportion to the capital and surplus of each bank) willing to receive such deposits under the terms of the act and the regulations made by authority thereof, but that the amount deposited in any one bank shall at no time exceed the amount of paid-in capital and one-half the surplus of such bank. If no such bank exists in any city, town, village or locality, or if none where such deposits are made will receive such deposits on the terms prescribed, then such funds shall be deposited under the terms of said act in the bank most convenient to such locality. If no such bank in any State or Territory is willing to receive such deposits on the terms prescribed then the same are required to be deposited with the Treasurer of the United States, who is ex-officio treasurer of the board of trustees.

Any solvent bank, whether organized under National or State laws (including savings banks and trust companies doing a banking business), subject to National or State supervision and examination, may lawfully qualify as depository for postal savings funds upon compliance with the requirements of the act of Congress.

The suggested plan for Monetary Legislation transmitted by Senator Aldrich to the Monetary Commission was recently made public and will undoubtedly attract wide attention and discussion. Trust companies are doubly interested in the proposals and particularly in the provision for the organization of National trust companies. This portion of the plan is as follows:

"Another class of National banks shall be authorized, which shall be in effect National trust companies, to be designated by some appropriate name and to exercise all the functions and have all the

privileges, including length of charter, which are given to trust companies by the law of the various States. These National institutions shall be subject like other National banks, to inspection and examination by the National Government."

An interesting publication of the Monetary Commission which has just been issued is entitled, "State Banks and Trust Companies Since the Civil War." All the publications of the Monetary Commission can be purchased from the Superintendent of Documents, Washington, D. C.

In the January Journal, through a clerical error, the location of the Union Trust Company, of which the Vice-President, Mr. Vernon I. Witherspoon is Vice-President of the Trust Company Section for Tennessee, was given as Memphis, Tennessee. It should have been Nashville.

Special Notice.

It is felt that it will be of much value and interest to the members of the Section to have collected in the Secretary's office, samples of advertising matter used by trust companies throughout the country, such as pamphlets, booklets, newspapers, advertisements, etc. Members are, therefore, requested to send to the Secretary, at 11 Pine street, such advertising matter as they may be using at this time so that they can be arranged in books or filing cabinets and be open to the inspection of trust company members who may call at the Secretary's office in New York.

"Trust Company Forms" Now Ready for Delivery.

The selections cover all departments of the trust company, and it is believed offer practical "forms" for carrying out all of the various banking and trust functions which may fall to the lot of an active company.

The selected forms have been reproduced by photographic process (one-half the original dimensions), bound in full morocco, leather lining, gilt edges, in handsome and durable shape—11x14 inches in size—and are for sale to members of the Association for \$15 each, and to non-members at \$20. Some 550 different forms have been reproduced, making a book of 145 pages, fully indexed. Subscriptions may be sent to Mr. P. S. Babcock, Secretary Trust Company Section, 11 Pine Street, New York, who will forward book prepaid at once.

SAVINGS BANK SECTION

At the beginning of the present fiscal year, September 1st, 1910, the membership of our Section numbered 1,773, and we have now 1,802 members, after deducting some 45 banks which have lost their membership in the American Bankers Association through mergers, failures, non-payment of dues, etc., thus showing a net gain of 30 new members.

In looking over the report of the Comptroller of the Currency, as shown by his call on national banks as of the 10th of November last, we notice that 2,866 national banks receive savings deposits, and therefore wish to draw to the attention of the members of our Association the fact that every national bank, member of the American Bankers Association and operating a Savings Department, is entitled to membership in the Savings Bank Section, and will be enrolled therein without any additional dues on receipt of their request to that effect. All State banks and trust companies receiving savings deposits are also entitled to such enrollment. In this connection we will mention that the fourth edition of the book of Savings Bank Printed Forms is now ready for delivery, and will prove of considerable value to all banks handling savings accounts; this book is sold to members of the American Bankers Association at

practically cost, viz., \$12 per copy, and to non-member banks at \$18. All orders received at this office will be promptly attended to.

Several of the State Vice-Presidents, elected at the Los Angeles Convention, have written promising co-operation in increasing our membership in their respective States, and all efforts in this direction will be greatly appreciated by the officers of our Section as we are very desirous of reaching the "2,000" mark before the next Convention.

Owing to the death of Secretary Hanhart, there has been some delay with regard to committee meetings, etc., but it is expected that within a very short time the various committees will take up the work assigned to them.

The detailed proceedings of the Convention of the Savings Bank Section in Los Angeles on the 6th of October last, are embodied in the large volume containing the proceedings of the general Association and its Sections, which has been sent to every member of the American Bankers Association. The members of the Savings Bank Section are indicated by an "S" on the regular list of members of the Association.

GUARANTY OF BANK DEPOSITS.

The recent decision of the United State Supreme Court favorable to the constitutionality of a bank deposit guaranty law has created widespread interest throughout the banking communities of the country.

At the annual convention of the American Bankers Association, held in Denver in October, 1908, the following resolution was adopted by the Association which went squarely on record as against Bank Guaranty:

"Resolved, That the American Bankers Association is unalterably opposed to any arbitrary plan looking to the mutual guaranty of deposits either by a State or the Nation, believing it to be impractical, unsound and misleading, revolutionary in character and subversive to sound economics, placing a tool in the hands of the unscrupulous and inexperienced for reckless banking, and knowing further that such a law would weaken our banking system and jeopardize the interest of the people."

It is a fact that in States where this law has been tried, it has not proven satisfactory. A very large proportion of the States of the Union have sessions of their Legislature this winter. Without question a bill providing for bank guaranty laws will be introduced in many of the States. In several cases these bills have already been prepared and introduced. The opposition to these laws must come from State Bankers' Associations and business organizations in their respective States. This will be the most effective way to meet the question with any measure of success. This entire movement em-

phasizes the importance of wise and comprehensive State banking laws in many of the States where the laws are not adequate and satisfactory. Modern State banking laws will do more to inspire confidence in the public, and prove that bank guaranty laws are not necessary, than any other action which could be taken.

ONE CENT LETTER POSTAGE.

For several years past, periodically, an effort has been made to induce the government to reduce letter postage to one cent an ounce. This question is again being agitated through the National One Cent Letter Postage Association, which organization was represented recently at a meeting of the Administrative Committee of the Association by Mr. Charles W. Burrows and Mr. George T. McIntosh, of Cleveland, Ohio, respectively President and Secretary of the organization. The argument these gentlemen advanced in favor of this reduction was convincing.

The profits on first-class domestic mail are shown to be over \$53,000,000. The losses to the Post Office Department occur in the handling of second-class, third-class, rural delivery, registered and franked mail; or, in other words, the first-class postage is made to stand the brunt in various other departments.

The committee which met the Administrative Committee desired the endorsement of the American Bankers Association, and while the Administrative Committee was in favor of the proposition, it did not feel that it had authority to act in the matter and the proposition will be submitted to the Executive Council.

CLEARING HOUSE SECTION

CLEARING HOUSE BANK EXAMINATIONS.

Report of the Committee Sent to Chicago and St. Louis by the Clearing House Committee of the Pittsburgh Clearing House Association.

Pittsburgh, Pa., Dec. 17, 1910.

Mr. Robert Wardrop, Chairman,
Pittsburgh Clearing House Committee.
Pittsburgh, Pa.

Dear Sir:—By action of the Clearing House Committee of the Pittsburgh Clearing House Association, the undersigned were appointed a committee to visit St. Louis and Chicago, and to make a careful investigation of their systems of Clearing House Bank Examinations, and to submit a report in writing to the Clearing House Committee.

We, therefore, take pleasure in submitting herewith the following:

The duties of the Clearing House Bank Examiner, of what his force consists, and the manner in which he performs his duties, as adopted by the St. Louis Clearing House Association, are as follows: The Department includes the Examiner and three assistants. Before entering upon his duties, the Examiner signs a written contract that in case of his resignation or dismissal, he will not connect himself with any bank or trust company within three hundred miles of St. Louis, for a period of three years, and each of his assistants enters into a similar obligation for the same period. The object of this stipulation is apparent. They have in St. Louis seventeen members of the Clearing House, and thirty-eight associate members, the associate members being banks or trust companies clearing through members. This gives a total of fifty-five banks and trust companies under the control of the Clearing House, and subject to its rules and examinations.

Without notice, the examiner, of his own volition, and with his assistants, enters any bank or trust company and commences his examination. All information he asks for must be given him, and all books and papers placed before him as in the case of a National or State bank examination. When the examination is completed he makes duplicate reports, stating all the essential facts obtained in his investigation—whether the institution has the required amount of cash on hand, the amount of its past due paper, the amount of its bad debts, if any, the amount due by the directors as payers, endorsers or as guarantors, and the amount due by corporations in which they are interested, the value of the bonds carried and whether they are carried at a sum in excess of the market value, whether the amount shown as capital, surplus and undivided profits is represented not by bad, but by good assets; in other words, whether

the published statements are true, and finally, a complete statement of the bank's condition is set out, with any suggestion which, in his judgment, sound banking requires him to make. One of these reports is delivered by the Examiner to the President of the institution examined, and each Director of that institution is notified by mail of such delivery, accompanied by a written request that the Director notify the Examiner in writing of the receipt of the notice. If at the end of two weeks, the Examiner has not received from the Director the acknowledgment desired, he sends a second notice, or a third, if necessary, it being the purpose of the Committee to establish the fact that every Director of every institution which is a member of, or connected with, the St. Louis Clearing House is informed of the condition of his institution as ascertained by the Clearing House Bank Examiner.

If the examination discloses nothing indicating bad management or unsafe condition, the Examiner places the duplicate in his files and writes to the Chairman of the Committee of Management as follows:

Mr., Chairman.
Committee of Management,
St. Louis Clearing House.

Dear Sir—I beg to advise that I have examined the Bank (or Trust Company) as at the close of business, 1910, and handed a copy of my report to Mr., President, to-day. There does not appear to be anything in connection with this Bank (or Trust Company) which, in my judgment, requires the attention of your Committee,

Respectfully,

.....
Examiner.

Under such condition his report is seen by no one other than the officers and directors of the examined bank or trust company, it being the policy of the committee, which in no instance, has been deviated from, to examine no report unless advised by the Examiner that in his opinion this should be done.

If, on the other hand, the Examiner finds conditions different from the case above stated, he sends a letter as follows, addressed to the Chairman of the Committee of Management:

Mr., Chairman.
Committee of Management,
St. Louis Clearing House.
Dear Sir—I beg to advise that I have examined the Bank (or Trust Company) as at the close of business 1910. There are matters in connection with this Bank (or Trust Com-

pany) which, in my judgment, your Committee should know. Please let me know when you call a meeting so that I may submit my report.

Respectfully,

Examiner.

A meeting of the Committee of Management, which Committee consists of five members and the President of the Association, who is a member ex-officio, is called, and the Examiner makes his report, the Manager of the Clearing House acting as Secretary of the Committee and keeping full minutes of its proceedings. The examiner's report is read and considered in detail. He is then directed to notify the President of the institution that the Committee requests that certain steps be taken which, in its opinion, are advisable and necessary. If this request is not complied with, the Chairman of the Committee requests the President and the Cashier of the bank in question to appear before the Committee, when they are notified of the matters complained of and informed that unless they are corrected their institution will be suspended from the Clearing House until a meeting of the Clearing House has been called, and the whole matter in all its details placed before it.

The President and Cashier are informed at once that no member of the Clearing House nor any other than those in the room knows, or ever will know of the Committee's action or the fact that their institution has been under criticism, provided the required action be taken. In no case yet has the Committee been compelled to suspend a bank or trust company, and in no case has any institution made any complaint that it had become known that its affairs were under discussion.

In either city if the Examiner finds unwarranted conditions in a bank after having completed his examination, he calls the matter to the attention of the officers of the bank, and if proper adjustment is made makes no mention of it in his report.

The methods adopted in Chicago are practically the same, with this exception. In St. Louis the responsibility is placed on the Examiner, in Chicago on the Clearing House Committee.

The idea of having a Clearing House Bank Examiner is not to hamper the banks in any way, but to prevent them from taking undue risks in order to secure high rates of interest, or go into underwriting schemes of a questionable character, or allow directors or officers of an institution loaning the bank's funds to corporations in which they are interested, provided they are not well secured; also to prevent firms and corporations securing larger lines of credit than they should be entitled to, based on their assets, and to enable the banks to check up firms, individuals or corporations that make false statements.

We are told that originally there was a great deal of opposition to the appointment of a local Clearing House Examiner; some of the banks feeling that it was not fair to them to allow information pertaining to their institution and their customers to get into the hands of their competitors who compose the Clearing House Committee, and also realizing that there was danger of "leaks" and such information might become public property.

It was not until the failure of the Walsh banks in Chicago, and the Missouri Lincoln Trust Company

of St. Louis, that final action was taken. The banks in the former case were called upon to put up \$7,000,000, and the latter \$1,500,000 cash and guarantee \$1,000,000 more; this, they felt was manifestly unfair to the banks which had adopted safe and sane methods and were compelled to advance so much money to save the situation and prevent runs on their own institutions.

We called upon a number of the most prominent bankers in both cities, as well as some of the minor officials, and in every case heard nothing but the most enthusiastic comments of approval regarding the methods and results obtained. And they all stated, with one accord most emphatically, that they would not give up the system under any circumstances, and its former opponents are now its most ardent supporters.

Chicago has a total of 58 banks; 17 direct members, and 41 which clear through them.

Capital represented.....	\$72,350,000
Surplus represented.....	46,858,000
Deposits represented.....	551,392,000
Estimated yearly cost of examinations	32,000

St. Louis has a total of 55 banks; 17 direct members, and 38 which clear through them.

Capital represented.....	\$41,500,000
Surplus represented.....	44,240,000
Deposits represented.....	291,200,000
Estimated yearly cost of examinations	20,000

Chicago employs one Examiner and seven assistants.

St. Louis employs one Examiner and three assistants.

These figures are given for the purpose of giving some idea as to how many Examiners and assistants would be necessary in this district.

A card list of loans over \$10,000 is kept by the Examiner for the purpose of keeping tabs on borrowers, and while it is not necessarily correct, it enables him to form a more accurate opinion; banks are entitled to this information, but are not given the name of the banks where the loans are placed.

There is no check on the Examiner other than the knowledge of the officers as to how he examines their particular bank, but they can readily form a correct opinion of the work and his ability from the nature of the report submitted.

The Examiner confers at will with the National and State Examiners, and they with him, hence the information imparted and received is very helpful.

It is very evident that the choosing of a competent man to do this work is one of the most important features.

It is also evident that such a man, after working a year or so, would be able to pass more intelligently on local credits and collaterals than any firm of accountants could possibly do.

We are indebted to the bankers of St. Louis and Chicago, and especially so to Mr. C. E. French, Clearing House Bank Examiner for St. Louis, and Mr. J. B. McDougal, Clearing House Bank Examiner for

INCLUDING BULLETIN OF THE AMERICAN INSTITUTE OF BANKING.

Chicago, for the information here set forth, their statements conforming in every particular with the information obtained from the bank officials upon whom we called.

Respectfully,

J. M. Young,
Hervey Schumacher,
W. W. McCandless,
Committee.

The following letters were received by Mr. Wardrop from bankers of Chicago and St. Louis.

From James B. Forgan, President of the First National Bank of Chicago.

Chicago, November 29, 1910.

Dear Sir—I have your favor of 28th inst. and I am sending you under separate cover a copy of the First National Bank "Review" of September, 1910, which publishes on its first page some extracts from the remarks made by me at Los Angeles before the Clearing House Section of the American Bankers Association Convention there:

These will give you an outline of our methods and some idea of the advantages which have been derived from our system. We, of course, cannot discuss the individual cases in which very decided advantages have resulted not only to the individual banks concerned but to the general banking situation of the city. I can only say in a general way that it has resulted in the elimination of bad methods and bad banking and the building up of the banks of our city on sound principles and on the basis of solid assets. The banks whose methods were open to criticism, or whose assets were depreciated in value so that their published statements did not disclose their true condition, have either corrected these conditions or have been quietly eliminated from the associated banks of the city. Were it proper or permissible for me to go into the facts in regard to what we have accomplished in Chicago we could a tale unfold that would show the advantages of the system in such a way that no one outside of the Clearing House Committee itself can fully realize. It is a delicate business and imposes upon the Clearing House Committee great responsibilities. So far our Committee has been most successful, and there are none of our banks whose officers are more grateful to the committee than those whose methods the committee had to criticize or whose condition was such as to be open to the committee's criticism. We have in every case, without any friction or misunderstanding, been able to greatly improve the conditions of the few banks still with us that required the correcting guidance of the committee. The directors of these banks are especially grateful to our committee and are the strongest supporters of our Clearing House examination system and methods.

I enclose copies of the original letters sent out to the banks when the system was organized along with a copy of the letter sent by the Examiner after an examination and other data which may be of assistance to you in a study of our methods. If there are any other points that occur to you on which you desire information I will be glad to answer any direct question you may put. In the meantime, I am,

Very truly yours,
James B. Forgan, President.

From David R. Forgan, President of the National City Bank of Chicago.

Chicago, November 29, 1910.

Dear Sir—In reply to yours of yesterday I would say that the system of Clearing House examinations by an Examiner of its own has proved most efficient and satisfactory in this city. I do not believe there is one bank in Chicago to-day that would vote to do away with the system. It gives a feeling that we have no bad spots in the banking business in Chicago, and that is worth something to all of us.

There have also been numerous cases of the Clearing House Committee calling certain conditions to the attention of certain banks, and having them remedy them without any publicity, and with great efficiency.

I cannot conceive of any greater influence to induce a bank to put things to rights than that of the Clearing House, which has the power to exclude them from membership, and I think this exercises a most wholesome influence on the entire banking community as well as giving confidence to the public.

Yours very truly,
David R. Forgan, President.

From W. T. Fenton, Vice-President of the National Bank of the Republic, of Chicago.

Chicago, November 29, 1910.

Dear Sir—In reply to your letter of the 28th I would say that in my opinion all of the Chicago banks are entirely satisfied with the system of Clearing House examination which has been in operation here now for about four years.

It is the tendency in every city, I believe, when this question is first agitated, for the non-member or smaller banks to jump immediately to the conclusion that the examinations are in some way detrimental to their interests, while as a matter of fact the reverse is true. Clearing House examinations really benefit the smaller banks, because under our system not only do the members undergo examination, but the non-member banks are compelled to do so as well, with the result that the smaller banks are now using this very fact as an argument that they are just as safe as larger banks in the city—because they have been examined by the Clearing House Examiner. So it has come about that in Chicago even those who were opposed to the plan in the first place are heartily in accord with it at the present time.

If you will refer to the proceedings of the last meeting of the American Bankers Association, and read the address made by Mr. Forgan on clearing house examination, it will give you all and more information than I could embody in a letter.

In the early stages of this method of examination I used to say that the bankers in a given city had gone a long way when they had complete confidence in one another, and it probably has been your observation that this is true. The clearing house examinations have brought about a better feeling among the Chicago banks. They are closer to each other, and are prepared to act as a unit for the good of the financial interests of the city, and I think this, more than any other one thing, perhaps, is the most important benefit that has resulted from the clearing house examinations.

If there is any further information that I can give you in connection with this subject, I shall be very glad indeed to have you call upon me.

With kindest regards, and hoping to see you in the near future.

Yours very truly,
W. T. Fenton, Vice-President.

From C. H. Huttig, President of the Third National Bank of St. Louis.

St. Louis, November 30, 1910.

Dear Sir—I have your letter of the 28th, and in reply thereto wish to say that our Clearing House Bank Examination system has operated most satisfactorily in every respect, and I do not believe that a single member of the Clearing House Association, or those banks clearing through members (the total number being fifty-five banks and trust companies), would vote for a discontinuance of the examinations. I know of nothing that has happened to the banking interests of St. Louis during my connection with the business, which has been so beneficial as these examinations. As President of the Clearing House Association I am ex-officio member of the Committee of Management, and this committee has in charge the work of supervising and analyzing the Examiner's reports.

I believe it would pay you to come to St. Louis and see just what our system is, and permit us to talk to you of what has been accomplished here. We have succeeded in bringing about proper banking methods in institutions whose management has been honest and well-meaning, but had wrong ideas as to what constituted correct banking investments and loans, and invariably the Committee has been warmly praised for its work, especially by those connected with the institutions whose methods and practices we were criticising. The story is a long and interesting one, and I wish you could plan to come here that we might give you the facts in detail.

With personal regards,

Very truly yours,
C. H. Huttig, President.

From B. F. Edwards, President of the National Bank of Commerce in St. Louis.

St. Louis, Mo., December 1, 1910.

Dear Sir—Your favor of the 28th ult has been received, and contents noted.

In response thereto, will say, I think the Clearing House Bank examinations have proven of great benefit here in the city, and it seems to me every large city should adopt the plan.

I understand several of your bankers were here yesterday looking into the matter, and I presume they got all the details that you would want.

With best wishes, I remain,

Yours truly,
B. F. Edwards, President.

From Festus J. Wade, President of the Mercantile National Bank of Saint Louis.

St. Louis, Mo., November 30, 1910.

I have yours of the 28th. In reply, beg to say that of all the examinations of banks made—by ex-

pert accountants, national or state bank examiners—I can say to you without qualification, that the Clearing House examination is superior in every respect.

Since the system has been inaugurated in St. Louis, it has been the means, to my personal knowledge, of saving several of the smaller institutions from getting into trouble.

It is of unquestioned advantage. It not only forces one to keep his own house in order, but each banker knows the other fellow's house must also be kept clean.

If I were asked to forego ten per cent. of my salary or forego the clearing house examinations, I would be very happy indeed to forego the salary, because I am sure it will make my labors lighter in the years to come.

I send herewith copy of an address delivered by the Chairman of the Committee of Management on the subject.

Yours very truly,
Festus J. Wade, President.

Mr. James G. Cannon, President of the Fourth National Bank, New York, in a monograph on Clearing House supervision declares that the tendency has been marked, especially in recent years, to include within the legitimate field of Clearing House examinations, all questions affecting the mutual welfare of the banks and the community as a whole. And says further, that it is significant of the widening scope of the Clearing House supervision and usefulness, that the number of Associations have, after giving careful consideration to the subject, appointed special bank examiners and assistants, men, enabled by trained experience under rigid regulations, to make examinations.

The Clearing House of Chicago was a pioneer in the establishment of the independent system of examination in this country.

Credit Blanks.

There was published in the May issue of the Journal a description of credit blanks and a questionnaire for use in the credit department of banks, which forms were prepared by Mr. James G. Cannon, of New York City, and reproduced in the Journal mentioned. The prices were also quoted at which they can be obtained in quantities of 250 up to 1,000.

Anyone desiring those forms can send their order to the General Secretary of the Association, who will forward same to the printer, and the blanks will be shipped direct to the purchaser, together with bill.

Official Badges.

After providing for the delegates who attended the Los Angeles convention, a few of the official badges prepared by the Association were left over. Any of our members not present at Los Angeles who would like one as a souvenir, can obtain same by writing to the General Secretary. These will be sent out in the order in which the applications are received until the supply is exhausted.

STATE SECRETARIES SECTION

ORGANIZATION OF SECRETARIES OF STATE BANKERS' ASSOCIATIONS.

Organized November 13, 1902.

OFFICERS.

W. F. KEYSER, Sedalia, Mo., *President*.
N. P. GATLING, Lynchburg, Va., *First Vice-President*.
L. A. COATE, Boise, Idaho, *Second Vice-President*.
FRED. E. FARNSWORTH, New York, N. Y., *Secretary & Treasurer*.

BOARD OF CONTROL.

J. W. HOOPES, Austin, Texas.
WILLIAM J. HENRY, New York, N. Y.
S. B. RANKIN, South Charleston, Ohio.
HARRY YEAGER, Lewistown, Montana.
C. H. WELLS, Salt Lake City, Utah.

CONVENTIONS TO BE HELD IN 1911.

May 1-3.	Executive Council, A. B. A., Hotel Hermitage	Nashville, Tenn.
" 16-18.	Texas	Dallas
" 24-25.	Kansas	Kansas City
" 24-25.	Missouri	Kansas City
June 21-23.	N. Carolina..Lake Kanuga, Hendersonville.	
June 21.	Minnesota	Bemidji.
July 12-13.	Wisconsin	
Sept. 7-9.	Amer. Inst. of Banking, Rochester, N. Y.	
Oct.	Illinois	Springfield

CROUP MEETINGS OF THE TEXAS BANKERS' ASSOCIATION.

Feb. 11.	5th Dist.	Dallas
Feb. 13.	4th Dist.	Hillsboro
Feb. 14.	3rd Dist.	Austin
Feb. 15.	2nd Dist.	San Antonio
Feb. 17.	1st Dist.	Houston
Feb. 20.	6th Dist.	Brady
Feb. 22.	7th Dist.	Fort Worth

ANNUAL CONVENTION OF ALABAMA BANKERS' ASSOCIATION.

The nineteenth annual convention of the Alabama Bankers Association met at Montgomery, January 18 and 19, for what turned out to be the best attended and most interesting meeting in its history.

Encouraged by the strong discussion of the State bank situation at the hands of Gov. O'Neal in his

inaugural address the day before the convention was called to order, the friends of conservative and constructive bank legislation redoubled their efforts to assist the Legislative Committee of the Association.

The Committee had several sessions with a group of State banks desirous of making certain changes in the measure with the result that upon the submission of the bill as amended by W. H. Manly, Chairman of the Committee, the Association ratified the measure by a rising vote and with great enthusiasm.

All three of the sessions were devoted exclusively to the bill and on account of the importance of this business many of the usual social features were eliminated. The Montgomery Clearing House Association was host at a banquet for three hundred covers at the Exchange Hotel on the evening of January 18th. This was attended by all the delegates, the House and Senate Committees on Banking, and the leading executive officers of the State. The most notable address was delivered by the Governor, the Hon. Emmet O'Neal, who took occasion to strengthen and amplify his position as stated in his inaugural. Gov. O'Neal's remarks showed him to be a thorough master of the intricate details of finance, as well as a powerful and brilliant orator. He was given a remarkable ovation.

Other speakers at the banquet were Lieut-Gov. Seed, Mr. W. P. G. Harding, of Birmingham, and Mr. Ralph H. MacMichael, President of the American Institute of Banking. The Toastmaster also called on other men prominent in the affairs of the State.

The officers elected for the current year are as follows: President, Frank M. Moody, Cashier First National Bank, Tuscaloosa; Vice-President, W. H. Manly, Cashier Birmingham Trust & Savings Co.; Secretary-Treasurer, McLane Tilton, Jr., Cashier First National Bank of Pell City.

The bank code will be at once introduced in the Legislature and it is confidently believed that at least 85 per cent. of the members of both houses will vote for the bill as now written. A clear majority has already been shown to favor it.

The action of the Legislative Committee and Executive Council in giving the widest possible publicity to their measure, sending out copies to the number of 2,000 and more to bankers, legislators and newspaper men, requesting their advice and criticism, and then holding a public meeting one month prior to the convention when divergent views were harmonized, has fully justified itself as being the one way to rally public sentiment behind constructive bank legislation. Also the change in meeting date to the first week of the legislative session and at the capital proved to be a wise step.

JOINT SESSIONS OF THE MISSOURI AND KANSAS BANKERS' ASSOCIATIONS.

The Missouri Bankers' Association has accepted the invitation of the Kansas City Clearing House to hold its Twenty-first Annual Convention of the Association in that city on May 24th and 25th. Headquarters will be at the Hotel Baltimore.

The Kansas Bankers' Association will also hold its Annual Convention at the same time in Kansas City, Kansas, and arrangements are being made to spend part of the time in a joint session of these Associations.

According to the present arrangements, a joint session will be held on the evening of the first day, when addresses will be delivered by speakers of national prominence. The afternoon and evening of the second day will be given over to joint entertainment, which will be provided by the Kansas City Clearing House. The rest of the time will be reserved for individual meetings of the two Associations—Missouri in Kansas City, Missouri, and Kansas in Kansas City, Kansas. This ideal arrangement, coupled with the characteristic hospitality of Kansas City bankers insures an unexcelled convention, as to both profit and pleasure.

BANKERS ENCOURAGING AGRICULTURAL PURSUITS.

The bankers throughout the country recognize the fact that the wealth of a State is dependent in a large measure on its agricultural products, and as agriculture advances so does the banking business increase in proportion thereto. It is therefore to their interests to promote and encourage agriculture in their respective States, and several of the State Bankers Associations are now taking an active interest with that end in view. The Minnesota Bankers Association has a special committee on agriculture in that State. It will also be seen by the following item received from J. W. Hoopes, Secretary of the Texas Bankers Association, that they are using practical methods to encourage a taste for farm life among the younger element.



The accompanying cut is a reproduction of the gold medals presented by the Texas Bankers Association to the first five prize-winners in the contest

of the Boys' Corn Clubs, according to the decisions of the judges at the Dallas State Fair.

The medals are made of 14-carat gold, with raised green gold border of 18-carat gold representing the stalks and tassels, while the background is of bright or Roman colored gold, the whole suspended from a bar of gold in the shape of a full ear of corn. On the face of each medal is the inscription, "BOYS' CORN CLUBS, TEXAS, 1910," and on the reverse side is engraved the name and order of the prize-winner "Presented by the Texas Bankers Association."

Mr. J. W. Hoopes, Secretary of the Texas Bankers Association, Austin, has delivered these medals with an appropriate letter to each of the successful boys, whose names are as follows:—Wm. Rogers Smith, first prize, of Karnes City, Karnes Co.; Joe Windham, second, of Lott, Falls Co.; Henry Liles, third, of Chilton, Falls Co.; Calvin G. Sayles, fourth, of Gayhill, Washington Co.; and C. G. Liles, fifth, of Chilton, Falls Co.

In addition to the medals, the first two boys were awarded the cost of one year's tuition at the A. & M. College, which they are preparing themselves to enter next fall. The third boy was given \$100 in cash also; and \$50 in cash to the fourth boy; the fifth boy receiving a medal only.

In a letter to Secretary Hoopes from Mr. J. L. Quicksall, State Agent of the U. S. Department of Agriculture for Central and West Texas, he says: "I wish to thank you, and through you the Texas Bankers Association, for their interest and liberal prizes offered. This, in my opinion, has been a wonderful stimulus in arousing the boys of the State to put forth their best efforts in growing corn, and we hope for greater results in future."

The object the bankers had in view was to encourage country boys to a greater taste for farm life, and counteract the modern trend towards city life, believing that the wealth of the State can be vastly increased through intelligent methods of agriculture. In some instances the example set by these Boys' Corn Clubs has led to corn-planting in counties where the men had been indifferent to making any effort, and been buying corn from other States instead of raising their own.

NEVADA BANKERS ASSOCIATION.

The newly elected officers of this Association for the year 1911 are: President, W. J. Harris, Vice-President Farmers & Merchants' National Bank, Reno; Vice-President, W. E. Johnson, Vice-President John S. Cook & Co., Bankers, Goldfield; Secretary, Fred. Stadtmuller, Assistant Cashier Washoe County Bank, Reno; Treasurer, F. I. Gunnell, Cashier The First National Bank, Lovelock; Assistant Secretary, J. W. Davey, Reno. The members of the Executive Council are as follows: W. J. Harris, ex-officio; John Henderson, Elko; R. C. Turrittin, Reno.

The Legislative Committee is as follows: W. J. Harris, Reno; F. M. Lee, Reno; Geo. H. Taylor, Reno; John Henderson, Elko; W. E. Johnson, Goldfield; R. C. Turrittin, Reno.

PROTECTIVE WORK OF STATE BANKERS' ASSOCIATIONS.

Ohio Bankers Association,
Office of the Secretary.

Columbus, Ohio, January 12, 1911.

\$50 REWARD.

For arrest and conviction of a man representing himself to be an agent of the Ohio Post Card Company, formerly of Toledo, now of Columbus. He succeeded in having one of our members cash a check on a Toledo Bank, purporting to be issued by above named company. Bank never heard of man or company. Check payable to Harry Lewis.

Description: About 35 years old; dark hair and eyes; smooth shaved; about 5 feet 8 inches tall; weighed about 160 pounds.

Toledo bank advises they have had other checks same nature, so be careful in cashing Toledo checks for strangers.

Washington Bankers Association.
Office of the Secretary.

Tacoma, Wash., January 14, 1911.

WARNING.

No. 185. A man representing himself to be J. M. Hunter, posing as a promoter of a Towel Company, made a draft for \$1,000 on the Adirondack Trust Co. of Saratoga, N. Y., through an Alliance, Ohio bank; they in return giving him their pass book with amount of draft credited thereon. The draft was no good, and bankers are warned not to cash checks for strangers presenting as proof of deposit, a bank pass book credited with amount named above.

No. 186. Lost Certificates of Deposit. Time Certificate of Deposit No. 6927, dated December 27, 1909, in favor of Martha Clark for \$65.00, and Time Certificate No. 7009, dated October 29, 1910, in favor of Emma Rose, for \$180.00. Both certificates were issued by the Green Lake State Bank of Seattle. Do not negotiate these certificates if presented—but advise said bank at once.

No. 187. Notice has been received of fraudulent checks drawn on the Citizens State Bank of Wheelock, N. D., signed W. E. Biggs.

No. 188. Notice has also been received of forged checks signed P. Oberst, Treas., drawn upon the citizens State Bank of Stanley, N. D. The forger is described as follows: When last seen wore a round black hat, gray mackintosh coat; had gray hair; is a smooth talker and claims to be a maker of chairs.

No. 189. Lost Certificate. Certificate No. 453, issued by the Farmers State Bank of Lidgerwood, N. D., in favor of H. P. Bernatz, is reported lost or stolen.

No. 190. Look out for party selling groceries by sample to farmers and large consumers. This party has made drafts on the firm he is taking orders for without authority from them, and payment is, of course, refused.

No. 191. Hold party signing or endorsing checks P. F. Randolph on Northwestern National Bank, Bellingham; notify bank.

Washington Bankers Association,
Office of the Secretary.

Tacoma, Wash., December 28, 1910.

WARNING.

No. 179. Look out for party signing his name Norton Brown or N. M. Wrl, or other names, operating in Northern Idaho and Oregon. He attempts to get money by drawing drafts on different banks, first on Citizens Bank of Lake City, Iowa, afterwards several drafts on Lewiston National Bank, Lewiston, Idaho. He is a man 25 or 30 years old, about 5 feet 4 inches tall, slender build, slightly stooped, straight

features, reddish hair, thick red moustache, cropped close, watery blue eyes and a slightly dissipated appearance. If located wire Lewiston National Bank, Lewiston, Idaho.

No. 180. A man named Eugene Kelleher, who has been working for a number of months for the Hill Lumber Co., of Tacoma, stole a block of regularly numbered checks of that firm, drawn on the Fidelity Trust Co., Tacoma, and forging the signature succeeded in passing a number of checks upon saloons and business houses. These checks were nearly all made out in the sum of \$42.50, and made payable to the order of E. Kelleher. Being apparently genuine and regular, he had little difficulty in cashing them. He left Tacoma after he cashed the checks, presumably for the South. His description is: Age about 35 years; height about 5 feet 10 inches; weight about 155 pounds; dark hair, tinged with gray; blue eyes; smooth shaven; wore soft shirt and soft hat, brown suit and brown overcoat. The chief of police in Tacoma holds warrant for his arrest.

No. 181. An Austrian named Mat Potvich succeeded in defrauding a bank in the southeastern part of the State out of \$190 by cashing a check for \$218 that was originally drawn for but \$28. He immediately left town, presumably for one of the Puget Sound cities. Description of Potvich: About 6 feet tall; weight about 180 pounds; dark complexion, with black mustache. Advise the Secretary if he puts in an appearance.

No. 182. A man named Ed Raymond defrauded a bank in the eastern part of the State by means of a check for \$78.75 drawn by the Idaho & Washington Northern Railroad at the Bank of Spirit Lake, Idaho. The check was drawn to the order of one R. Raymond—who Ed Raymond falsely impersonated. Warrant is out for his arrest. Description of Ed Raymond: Dark hair, smooth shaven; weight about 160 pounds; height about 5 feet 6 inches; wore dark suit of clothes, wide rim hat.

No. 183. B. C. Sargent. Claims to represent Ruy Lopez Key West Cigars, No. 86 Fulton street, New York. At one time he did represent them, but was discharged on account of bad habits. Is drawing checks on Bank of Long Island, at Richmond, New York City, who state that they are flooded with these checks from all over the country. Description: Is between 30 and 35 years old, about 5 feet 7 inches high, weight 160 to 170 pounds, brown hair, and wore a blue serge suit, brown derby, new tan shoes, and wore a Blue Lodge Masonic pivot button. If found, arrest him and wire First National Bank, American Falls, Idaho.

Michigan Bankers Association.
Office of the Secretary.

Detroit, Mich., January 14, 1910.

BULLETIN NO. 67.

A salesman pretending to represent the whiskey firm of A. Guckenheimer & Bros., of Pittsburgh, Pa., recently took a fake order in an eastern Michigan city, and had the local man giving the order endorse his draft for \$75.00. He signed it M. Langdon, and Guckenheimer & Bros. advise that he is a fraud and imposter. Please keep watch of this man and report by telegraph to this office if he presents himself at your bank.

North Dakota Bankers Association.
Office of the Secretary.

Fargo, N. D., January 16, 1911.

BULLETIN NO. 110.

We have a warning from the Montana Association to be on the lookout for a man named L. C. Hill, about 30 years old, 5 feet 10 inches to 6 feet tall, weight about 180 pounds, smooth shaven, dark complexion. When last seen was wearing a fur overcoat and gray slouch hat. He presents a letter of credit purporting to be issued by the First National Bank of King City,

Missouri, depositing the full amount and asking for a small advance. The letter of credit is a forgery.

The following Certificates of Deposit and Cashier's Check have been lost or stolen:

Certificate of Deposit No. 285, drawn by the State Bank of Bantry, dated July 14, 1910, for \$1,442.30, in favor of Madge V. Clark.

Certificate of Deposit No. 2496, issued by the First State Bank of Litchville, \$500, in favor of Olaus Svendsrud.

Cashier's Check No. 1641, dated November 30, 1910, in favor of Sofia Brickner, \$50, issued by the Citizens State Bank of Douglas.

Montana Bankers Association.
Office of the Secretary.

Lewistown, Mont., January 10, 1911.

WARNING.

Look out for L. C. Hill, about 30 years old, from 5 feet 10 inches to 6 feet tall; weight about 180 pounds; smooth shaven, dark complexion, now wearing fur overcoat, gray slouch hat; good looking and a good talker. He presents a letter of credit purporting to be issued by the First National Bank of King City, Mo., depositing the full amount, asking for an advance. The King City Bank advise that the letter of credit is a forgery. If he presents himself hold and wire this office.

Nebraska Bankers Association.
Office of the Secretary.

Omaha, Neb., December 28, 1910.

Lost or Stolen. C. D. No. 1269, Homer State Bank, 8-27-10, \$605. C. D. No. 3181, F. & M. Bank, Walton; Samuel Young, \$200.

Missouri Bankers Association,
Office of the Secretary.

Sedalia, Mo., Jan. 25, 1911.

\$50.00 REWARD.

A man giving the name of E. J. Catlin is charged with defrauding a member of this Association by means of forged checks, and is described as follows:

Name, E. J. Catlin; residence, Nebraska; nativity, American; occupation, farm hand; age, about 25 years; weight, 150 lbs.; complexion, dark; color of hair, black; height, about 5 feet 8 inches; build, rather stout; color of eyes, gray; style of beard, smooth shaven. Remarks: Dresses very commonly; usually wears cartridge belt; circumstances indicate that he may have gone to some point in Northeast Missouri.

For the apprehension and conviction of Catlin on the crime charged, the Missouri Bankers Association offers a reward of \$50.00; reward to remain in force for one year from date of this notice, and to be paid under the rules of this Association.

If located, arrest and wire the sheriff of Morgan County, Versailles, Mo.

Office of the Secretary.

Omaha, Neb., January 21, 1911.

WARNING.

Look out for a bogus check operator working as follows:

Draws checks usually on Wisconsin banks; has operated throughout several states; checks always payable so far to W. L. Beck; has used name H. B. Harrison in signing checks.

He is described as follows: 5 feet 5 inches; about 190 lbs.; 35 years old; smooth face; sandy complexion; very talkative; displays Elks card in some New York lodge.

ANOTHER.

A man using the name J. M. Hunter, posing as a promoter, secured a pass book of an Alliance, Ohio, bank, showing a credit of \$1,000 on a draft that was returned unpaid. If pass book appears at your bank, wire us.

**MORTUARY RECORD OF MEMBERS REPORTED DURING
JANUARY, 1911.**

Ball, Charles E.—Vice-President Holyoke National Bank, Holyoke, Mass.

Breed, Allen—President Perry Savings and Exchange Bank, Perry, Iowa.

Brown, Charles G.—President Illinois National Bank, Springfield, Ill.

Case, Joseph S.—Vice-President Second National Bank, New York, N. Y.

Davis, Robert—Director National Bank of North Hudson, West Hoboken, N. J.

Doremus, Philip—President Montclair Savings Bank, Montclair, N. J.

Dremond, Eugene—President State National Bank, Austin, Texas.

Duffy, Walter B.—President Lincoln National Bank, Rochester, N. Y.

Greenleaf, E. S.—Director Ayers National Bank, Jacksonville, Ill.

Hausberg, William—Vice-President First National Bank, Charles City, Iowa.

Hawley, Alexander—Treasurer Bridgeport Savings Bank, Bridgeport, Conn.

Pitney, Henry C.—President National Iron Bank, Morristown, N. J.

Sawyer, J.—President Citizens Bank, Waverly, N. Y.

Schmelz, George A.—Manager Schmelz Bros., Bankers, Newport News, Va.

Stebbins, George Frederick—Cashier Bank of Spearfish, Spearfish, S. D.

Stout, James H.—President First National Bank, Menomonie, Wis.

Turner, Theodore Campbell—Vice-President First National Bank, Cooperstown, N. Y.

Valentine, David H.—Director Long Island Loan & Trust Co., Brooklyn, N. Y.

Vanderbeek, I. P.—Director Bergen & Lafayette Trust Co., Jersey City, N. J.

Woodin, N.—Vice-President Sunnyside Bank, Sunnyside, Wash.

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W. W. WAINES, ASSOCIATE EDITOR

THOMAS B. PATON, EDITOR
General Counsel American Bankers Association

CLEARING HOUSE COLLECTION CHARGES AND THE ANTI-TRUST LAW.

The Clearing House Associations in a large number of cities of the country have, during the past few years, as is well known, adopted rules fixing a minimum scale of uniform charges for the collection of out-of-town items and these scales of charges have been acquiesced in by the business public generally as just and reasonable. On rare occasions, however, some customer has been heard to complain that the charges imposed in his particular case were excessive and unreasonable and in at least two cities, during the past ten years, the contention has been raised that the collection charges imposed by the associations of banks were in violation of the Sherman Anti-Trust Act and efforts unsuccessfully made to induce the law officers of the government to proceed against the associated banks for violation of that act.

Quite recently a case of this kind arose in New Orleans. An individual who alleged that in the handling through a local bank of a draft on a Texas point for some \$3,750 he was charged (from his standpoint illegitimately) one-quarter of one per cent. as collection fee, presented the facts to the United States District Attorney at New Orleans, who laid the same before the United States Grand Jury which convened on November 21st. This body had the schedule of rates used by the banks of New Orleans before it and proceeded with an investigation. The District Attorney, it is understood, inclined to the view that the rules in question constituted a violation of the Anti-Trust Act but, before finally advising the Grand Jury to this effect, consented to give consideration to contrary legal opinions which might be given on the subject and also to be guided by the advice of the Attorney General of the United States upon the question. The matter having been fully presented to the Attorney General, the advice of the latter to the District Attorney at New Orleans was that the criminal prosecution be dropped and the Grand Jury thereupon so voted.

While the investigation was pending, and in view of the fact that the question equally affected the legality of the rules of a large number of Clearing Houses throughout the country, the New Orleans Clearing House Association requested the General Counsel of the American Bankers Association to formulate and forward to the Attorney General of the United States his opinion upon the question involved. A copy of such opinion is printed below for the general information of our members:

(Copy Letter Thomas B. Paton, General Counsel A. B. A., to Attorney General United States.)

New York, December 20, 1910.

New Orleans Clearing House rules fixing minimum charge for collection of out-of-town items do not violate Anti-Trust Act.

Hon. George W. Wickersham,
Attorney-General United States,
Washington, D. C.

Dear Sir:

I am requested by the New Orleans Clearing House Association to write you in support of the proposition that the rules of that Association, fixing a uniform minimum charge for the collection of out-of-town items, are not in violation of the Sherman Anti-Trust Act which provides (Sec. 1, Act July 2, 1890) that

"Every contract, combination in the form of trust or otherwise, or conspiracy in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal. Every person who shall make any such contract or engage in any such combination or conspiracy, shall be deemed guilty of a misdemeanor," etc.

I am advised that the United States Grand Jury in New Orleans has pending before it the question of finding an indictment against the banks of that city based on the theory that the rules aforesaid are a combination in restraint of trade and a violation of the Sherman Anti-Trust Act, and the object of this letter is to procure from you, if you be of opinion that there is no such violation, such a communication to the United States District Attorney at New Orleans as will check the further prosecution of the matter.

I am enclosing a copy of the rules of the New Orleans Clearing House Association governing collection of out-of-town items which, in brief, establish a uniform minimum scale of charges for the collection of out-of-town items received by members of the Association or banks collecting through such members, for credit or collection, and impose penalties for violation of such rules.

The charges provided by these rules are just and reasonable, having been established after months of careful deliberation so as to approximate the actual cost of collecting checks, drafts and items generally. This could be established by proof, if need be. The rules have been in operation since July 7, 1906, and have been known to, and acquiesced in as just and reasonable by, the commercial public generally. Furthermore, similar Clearing House rules establishing uniform scales of charge for collection of out-of-town items are now in force in a large number of cities of the country and the business public, recognizing the justice and reasonableness of such charges, have generally acquiesced therein. The cases have been of comparatively rare occurrence where some depositing customer, having in view the circumstances of his particular case, has made objection and has contended that his out-of-town paper should be collected without charge.

At the outset it may be urged, with good reason I think, that in a case of this kind if the District Attorney at New Orleans is of opinion that such rules governing collection charges are in violation of the Sherman act, the proper procedure should be for a restraining order, under section four of the Act, rather than by attempting to obtain an indictment which would brand as criminals bankers and bank officials who have, for years, been operating under such rules with the knowledge and acquiescence of the commercial public. Furthermore, any person who can prove that he has been injured in his business or property by any other person or corporation by reason of anything made unlawful by the act, can recover treble damages under section seven. Even were it to be conceded, therefore (which is not admitted), that there is ground for contending that such out-of-town collection rules are a violation of the Sherman act, it is manifestly more appropriate that the first assault upon the legality of such rules should be by proceeding for a restraining order, rather than by the institution of a criminal proceeding.

It is furthermore pertinent to remark that the contention that Clearing House rules of the character here involved are in violation of the Anti-Trust Act, is not new to the Attorney-General's office. A contention that the out-of-town collection rules of the New York Clearing House which, in their essential features, are the same as those of the New Orleans Clearing House, were in violation of the Sherman Act, was made successively to Attorneys-General Knox, Moody and Bonaparte by Mr. James C. Hallock, of Brooklyn, representing an interest antagonistic to those rules, with request that proceedings be instituted for a restraining order, but such contention was not deemed worthy of affirmative action. In a communication addressed by Mr. Hallock to Attorney-General Moody under date of August 25, 1904, it would appear that the Department of Justice considered that the decision of the United States Supreme Court in the Live Stock cases (*Hopkins v. U. S.*, 171 U. S. 578; *Anderson v. U. S.*, 171 U. S. 604) demonstrated that the out-of-town collection rules of the New York Clearing House were not in violation of the Sherman Act.

In the Hopkins case, commission merchants in Kansas City who received consignments of cattle from Western States, fed the stock, prepared it for market and sold it for shipment to other States, formed the Kansas City Live Stock Exchange and adopted rules with penalties for violation which, among other things, fixed minimum rates of commission to be charged for selling the live stock. It was held that the nature of the business the defendants were engaged in was not interstate commerce, although the cattle, relating to which the services were

performed were, when coming from another State, articles of interstate commerce; that the services performed were collateral to such commerce and in the nature of a local aid or facility provided for the cattle owner towards the accomplishment of his purpose to sell them; that an agreement among those who rendered the services relating to the terms upon which they would render them, was not a contract in restraint of interstate trade or commerce and that the Sherman Act was not intended to cover such kind of agreements.

The principles upon which this case was decided have such direct application to the case of Clearing House rules fixing a minimum charge for services in collecting payment of out-of-town items—the banks not being engaged in interstate commerce and not even, as were the commission merchants, performing a service connected with articles of interstate commerce, as I will presently show—that I trust you will pardon a brief reference to certain pertinent portions of the opinion.

Mr. Justice Peckham said (p. 591): "Granting that the cattle themselves, because coming from another State, are articles of interstate commerce, yet it does not therefore follow that before their sale, all persons performing services in any way connected with them are themselves engaged in that commerce, or that their agreements among each other relative to the compensation to be charged for their services are void as agreements made in restraint of interstate trade. . . . The charges of the agent on account of his services are nothing more than charges for aids or facilities furnished the owner whereby his object may be the more easily and readily accomplished. . . . Charges for services of this nature do not immediately touch or act upon nor do they directly affect the subject of the transportation. Indirectly and as an incident, they may enhance the cost to the owner of the cattle in finding a market, or they may add to the price paid by a purchaser, but they are not charges which are directly laid upon the article in the course of transportation, and which are charges upon the commerce itself. . . . (p. 592.)

"The contract condemned by the statute is one whose direct and immediate effect is a restraint upon that kind of trade or commerce which is interstate. Charges for such facilities as we have already mentioned are not a restraint upon that trade, although the total cost of marketing a subject thereof may be thereby increased. . . . To treat as condemned by the act all agreements under which, as a result, the cost of conducting an interstate commercial business may be increased would enlarge the application of the act far beyond the fair meaning of the language used. There must be some direct and immediate effect upon interstate commerce in order to come within the act. . . . Many agreements suggest themselves which relate only to facilities furnished commerce, or else touch it only in an indirect way, while possibly enhancing the cost of transacting the business, and which at the same time we would not think of as agreements in restraint of interstate trade or commerce. They are agreements which in their effect operate in furtherance and in aid of commerce by providing for it facilities, conveniences, privileges or services, but which do not directly relate to charges for its transportation, nor to any other form of interstate commerce. To hold all such agreements void would in our judgment improperly extend the act to matters which are not of an interstate commercial nature."

The court further points out, however (p. 595), the possibility that exorbitant charges for use of facilities might have similar effect as a burden on commerce that a charge upon commerce itself might have and that in such a case the remedy would probably be forthcoming.

The distinction made in the Hopkins case between agreements fixing minimum charges for facilities or services in connection with interstate commerce which only relate to or affect such commerce indirectly and are not in restraint thereof and agreements whose direct and immediate effect is to re-

strain interstate commerce, is recognized by the Supreme Court in all the subsequent cases under the Sherman Act.

In *Montague v. Lowry*, 193 U. S. 38, where an agreement by an association of tile manufacturers not to purchase tiles except from members and not to sell to non-members for less than fifty per cent. higher than prices to members was held to directly effect a restraint of interstate commerce, the Hopkins case was referred to (p. 48) as one where "the subject matter of the agreement did not directly relate to, embrace or act upon, interstate commerce."

In the Northern Securities case, 193 U. S. 197, where the organization of a holding company of a majority of stock of two competing roads engaged in interstate traffic was held, by destroying competition, to directly restrain instead of promote, interstate trade and commerce, in violation of the act, the Hopkins case was cited (p. 330) to the effect "that the act embraced only agreements that had direct connection with interstate commerce."

In *Field v. Barber Asphalt Paving Co.*, 194 U. S. 618, it is said: "It (the Act) is not intended to affect contracts which have a remote and indirect bearing upon commerce between the States." (Citing Hopkins v. U. S.)

In *Swift v. U. S.* 196 U. S. 375 where a combination of a dominant proportion of dealers in fresh meats throughout the United States not to bid against or only in conjunction with each other, to restrict shipments and for other purposes, was held in effect a direct restraint on interstate commerce and not incidental, secondary or remote, the distinction was pointed out between the Swift case and the Hopkins case and as to the latter it was said that the "effect of the combination of brokers upon the commerce was only indirect and not within the act."

And in *Loewe v. Lawlor*, 208 U. S. 274 where a combination of labor organizations to compel a manufacturer whose goods were sold in other States, to unionize his shops, with boycott and prevention of sale of his goods upon refusal, was held a combination in restraint of interstate trade and commerce, the Hopkins case was distinguished as one where "the purpose of the agreement was not to obstruct or restrain interstate commerce."

The Hopkins case, it is seen, has been recognized as establishing the principle that contracts which have only an indirect relation to interstate commerce are not within the Sherman Act and that an agreement between the commission merchants of a city fixing minimum charges for services in selling cattle shipped to them from other States and sold for shipment to other States, has only an indirect bearing on such commerce and is not a violation of the Anti-Trust Act.

With much stronger reason, therfore, is an agreement between the banks of a city fixing a minimum charge for services in collecting out-of-town paper not within the Act. The subject of the agreement here is still more remote from interstate commerce. It is not a charge for services in selling an article of commerce—which charge itself has only an indirect relation to commerce—but a charge for collecting payment of negotiable instruments which, by decision of the Supreme Court of the United States, equally with contracts of insurance are not subjects of commerce nor transactions of commerce, but at most mere instrumentalities or incidents thereof. The Federal Constitution confers upon Congress power to regulate interstate and foreign commerce, but the Supreme Court has always kept bills and notes and contracts of insurance outside of the definition of commerce, holding such matters are subjects of State regulation and that such regulation does not conflict with the Commerce clause. (See *Nathan v. Louisiana*, 8 How. 73; *Paul v. Virginia*, 8 Wall. 168; *Hoopes v. California*, 155 U. S. 648.) This letter will not be extended by further reference to, or discussion of these cases, except to quote from the language of the court in the last cited case: "If the power to regulate interstate commerce applied to all the incidents to which such commerce might give rise and to all con-

tracts which might be made in the course of its transaction, that power would embrace the entire sphere of mercantile activity in any way connected with trade between the States and would exclude State control over many contracts purely domestic in their nature."

I think it is quite clear, therefore, that the subject of the agreement of the New Orleans bankers is so remote from interstate commerce as to be unquestionably not within the Anti-Trust Act. That agreement relates to fixing the price for services in collecting payment of out-of-town paper, some of which paper has its origin in matters entirely foreign to anything commercial, some of it is payable in the same State, while such portion of out-of-town items which have been used as a sequence to, or in connection with, commercial transactions, have only the character of instruments collateral or incident to commerce and are not in themselves subjects or transactions of commerce. In holding that bills of exchange were not subjects of commerce, but at most mere instruments of commerce and that rules governing presentment, protest, notice and the like are properly a matter of State law and not a regulation of commerce so as to conflict with the commerce clause of the Constitution, the Supreme Court in *Nathan v. Louisiana* (p. 81) said: "A bill of exchange is neither an export nor an import. It is not transmitted through the ordinary channels of Commerce, but through the mail."

The business of collecting payment of out-of-town paper is not commerce, but banking (and sometimes legal) business and an agreement among banks fixing a uniform charge for collecting paper payable in another State clearly has no direct relation to or effect upon interstate commerce under the principles laid down in the Hopkins case.

If you are of opinion that the agreement of the New Orleans Clearing House Association fixing a uniform minimum scale of charges for collection of out-of-town items is not in violation of the Anti-Trust Act, it is earnestly requested that you so communicate to the District Attorney at New Orleans and suggest to him that the further prosecution of the matter be abandoned.

Very respectfully yours,
THOMAS B. PATON,
General Counsel,
American Bankers Association.

CUSTOMS AND INTERNAL REVENUE PAYMENTS.

Much annoyance and inconvenience has been caused banks, in the sub-treasury cities, in the payment of customs duties and internal revenue, the government requiring legal tender. A special committee of the Association, appointed about a year ago to consult with the United States Treasury officials, visited the treasury officials in Washington last fall, and submitted certain changes which would be desirable and at the same time not objectionable to the departments if legally brought about. Some of these suggestions were embodied in the annual report of Secretary MacVeagh with the result that Congressman Payne has introduced a bill providing for the payment of customs and internal revenue by certified check instead of cash; of course, surrounding this proposition with proper safeguards. The Committee on Ways and Means of the House has reported out the Payne bill favorably, and as this bill will prove of great convenience to banks in sub-treasury cities, members are requested to communicate with their Congressmen and Senators asking them to support this measure.

RESERVE ASSOCIATION OF AMERICA.

Plan Submitted by Senator Nelson W. Aldrich.

The American Bankers Association is not committed specifically to a Central Bank or to the proposed plan for monetary legislation submitted to the National Monetary Commission by Hon. Nelson W. Aldrich, and termed "Reserve Association of America." The bankers of the country, however, realize the importance of advanced and new banking and currency legislation. They also realize fully that our present banking system is very nearly fifty years old; that it was a war measure, and that very little change has been made in the original law; and while an excellent measure when placed on the statute books, in many respects it is now obsolete and entirely inadequate for the needs of the banking and commercial pursuits of the nation.

Recurring panics; strenuous periods of depression; lack of currency in crop-moving seasons, and no modern methods whereby currency could be secured when most desired, resulted in a very full discussion of the deficiencies of our banking and currency laws, at the annual convention of the Association held in St. Louis, Mo., in October, 1906, and the authorization of the appointment of a Currency Commission of the Association to be comprised of fifteen members, five of whom were to be the then Legislative Committee, the other ten members to be selected with due reference to national and State Banks and Trust Companies, said Commission to confer with the Chamber of Commerce of New York City, and after a careful investigation and study of the plans submitted, to co-operate with the proper Congressional Committees with a view to the enactment of a law covering the subject. It did not appear to this Commission at the time of its appointment that it would be wise to attempt an entire revision of the banking and currency laws; but that a period of education would have to intervene before the country would be ready for radical changes, hence in 1907, the Commission prepared and had introduced into Congress an asset currency bill. In 1908 this was repeated, and there was brought out at the same time the Aldrich bill, the Fowler bill, and some one hundred other measures all of which gave way to the Aldrich-Vreeland bill which became a law, and which was intended as a temporary measure to provide for emergency currency.

The agitation at this time brought about the appointment of the National Monetary Commission. This Commission has made a very exhaustive research of the banking and currency systems of the world of the past one hundred years, and has brought out as a result of these labors several thousand pages of literature on the subject which will be valuable for all time to come. In the meantime educational work has been going on and to-day the business and banking interests of the country are in a receptive mood, while ten years ago, at the annual convention of the American Bankers Association, when plans were proposed

for a modern banking and currency law, the speaker, a prominent member of Congress, addressed an audience which was not in sympathy with his ideas and was hissed.

Great changes have taken place during this decade. The Aldrich-Vreeland law was an advance. During the past year the question of a Central Bank has occupied a prominent place in the discussions by bankers' associations and business organizations throughout the land, and has brought about the conviction among very many leaders that a Central Bank, or some kindred plan, would be the most desirable outcome of the ten years' discussion of the wants and needs of the United States. Where criticism has developed against the carrying out of some such plan as has been suggested, it has been owing to the fact that communities or individuals have not understood what was contemplated. In other instances where the Central Bank plan has been discussed by competent financiers who have understood the subject, it has brought with it conviction. In two Western States which perhaps are known to be as radical on legislation as any of the States of the Union, at recent State Bankers' conventions, held by these States, after listening to an able argument of the Central Bank plan, unanimously passed resolutions endorsing a Central Bank.

The proposed plan of Senator Aldrich seems to be a splendid foundation for what is now required; a modern, up-to-date Reserve Association which can provide for the needs of our great and growing country. It is fair to believe that Senator Aldrich and the National Monetary Commission are influenced only for the greatest good for the largest number, and what they have brought out has been the result of careful study, and based on experience of nations and the requirements of this nation. As stated by Senator Aldrich, the plan is a tentative one and has been proposed at this time for the purpose of a thorough discussion and an analysis of the subject, inviting the criticism of the commercial and banking bodies of the country, students of economics, and individuals who have made a study of this broad subject. It is unfortunate that the present session of Congress is a short one, and that the usual pressure of important legislation at this time will crowd out the consideration of banking and currency legislation. This, however, will give plenty of opportunity for an educational campaign, and a thorough consideration of the proposed bill, so that when it is taken up by Congress it will without doubt be in a perfect state, and the result should be the enactment of laws that will fill all requirements, and which can remain on the statute books for many years to come without radical amendments.

Believing that the members of the Association are interested in much-needed banking and currency legislation, in another portion of this issue of the Journal and Bulletin will be found the proposed plan in full as published by Senator Aldrich and submitted to the National Monetary Commission.

PUBLICATION OF ANNUAL PROCEEDINGS.

The proceedings of the Thirty-sixth Annual Convention of the American Bankers Association at Los Angeles, together with statistics, miscellaneous data and list of members, contains 868 pages solidly bound in three-quarter leather.

This publication will undoubtedly prove of inestimable value to everyone who receives a copy on account of the practical and interesting information embodied in the addresses delivered and the discussions which ensued on subjects of paramount importance not only to the banking business but also to the industrial and mercantile world of to-day.

A verbatim report of the two days' sessions of the Convention of the Association is included in this volume, and also a complete record of the proceedings of the all-day sessions of the Trust Company, Savings Bank and Clearing House Sections respectively. This embraces the various branches of national, State, commercial and savings banking, and different phases of the work of clearing houses throughout the country; and the fact that these topics were handled by men ripe with many years of experience in their special lines is a guarantee of the soundness and stability of the doctrines propounded.

In addition to the above, the reports of the several committees of the Association and its Sections give in detail an account of the work accomplished during the year, outlining different policies to be pursued in regard to many important matters pertaining to legislation, banking and currency reform, bills of lading, etc.

The information contained in this book cannot be obtained from any other source, nor can it be found in any publication extant, and is indexed alphabetically in such manner that any particular item can be readily found.

Besides the regular proceedings of the Convention, the work contains a brief history of the Association, historical statistics, list of officers since organization, the present officers, Executive Council, State Vice-Presidents, Committees, Constitution and By-laws, and a complete list of members, specially indicating the members of the various Sections and marking with a star the institutions represented at the Convention. There is also an account of the social features of the Convention and of the trip by special trains to Los Angeles and return.

It is almost impossible for anyone not thoroughly familiar with a work of this class to comprehend the amount of labor entailed in its compilation and time required for proof reading and verification of miscellaneous data, etc. The book was expressed to our members last month and no doubt will be greatly appreciated by them.

CREDIT CLEARING HOUSES OR THE REGISTERING OF COMMERCIAL PAPER.

In 1908 a special committee was appointed by the American Bankers Association to formulate some plan whereby commercial paper, which is handled by commercial note brokers, could be registered, or a system of credit information maintained for the purpose of furnishing banks with the names and volume

of commercial paper which is disposed of through commercial paper brokers. The special committee referred to made a very comprehensive report to the convention of 1908. It was shown, however, that the committee received little encouragement from the larger banks of the metropolitan cities. Since that time, however, there have been some conspicuous failures of important business concerns which had floated a large amount of commercial paper in all parts of the country.

Credit managers of banks are now awakening to the fact that some plan should be devised whereby they can at all times be advised as to the amount of credits of concerns which place their paper in the hands of brokers. Recently it has developed that the International Paper Company has adopted a plan for the registration of its commercial paper. The press of the country has been taking the subject up, and the Association offices are now receiving many inquiries relative to plans which have been submitted in the past, and as to what might be expected in the future along this line.

There is no other one question in which the banks are so vitally interested, and which is so important as the matter of their credits. Fifteen years ago it was only the banks in the larger cities which maintained a credit department and a system of credit files. Now this plan is becoming more universal, for it is a patent fact that the foundation of safety in a bank is its credits, and its credit information which is available.

VALUE OF MEMBERSHIP SIGN.

Activity of Association's Detective Agents, and Results Obtained a Warning to "Yeggs."
Record Unprecedented.

The following letter was received recently from a Kansas member:

"We wish to say that two of the three banks at this place were robbed last Friday night and our safe was not touched. WE BELIEVE WE OWE OUR ESCAPE FROM ATTACK TO PROTECTION OF THE AMERICAN BANKERS ASSOCIATION.

"We also desire to acknowledge receipt of your 'Confidential Book of the Protective Committee.'"

In connection with the above statement it is a remarkable fact that each of the three banks was within seventy-five feet of each other; two being non-members, and one a member. The burglars left the member alone and burglarized the two non-members. They secured \$4,000 from one bank, and \$3,000 from the other.

In Arkansas, Iowa, Kansas, Missouri, Oklahoma and South Dakota during the past five months there have been thirty-seven burglaries, hold-ups and sneak thefts on banks. NOT A MEMBER OF THE AMERICAN BANKERS ASSOCIATION REPORTED HAVING BEEN DEPREDATED UPON IN CONNECTION WITH ANY OF THE ABOVE CRIMES IN THE STATES NAMED DURING THIS PERIOD. In Illinois, Nebraska, Ohio and Texas, there have been twenty-five similar crimes, twenty on non-members and five unsuccessful attempts on members.

REGISTRATION AT OFFICES.

THE offices of the Association, being so centrally located in the financial district—corner of Nassau and Pine Streets—make a very convenient place for members and their friends to meet when in New York. One of the large offices has been fitted up as a library and reading room, in which are kept on file the financial papers of the country and other current literature. Every facility has been provided for correspondence, and the Association's stenographers are at the service of the members, who can have their mail and telegrams sent in care of the office. The Association telephone is also at their service when they wish to communicate with the banks or their friends. The members are cordially invited to avail themselves of these privileges, and it is very much hoped they will do so.

The following visitors registered during the month of January:

D. G. Rombach, Manager Graham & Co., Scranton, Pa.
 L. C. Albertson, National City Bank, New York, N. Y.
 Ralph W. Cutler, President Hartford Trust Co., Hartford, Conn.
 Charles William Burrows, Cleveland, Ohio.
 B. V. Leigh, Cashier Clinton National Bank, Clinton, N. J.
 George T. McIntosh, Cleveland, Ohio.
 A. A. Crane, Vice-President First National Bank, Minneapolis, Minn.
 Clay H. Hollister, Vice-President Old National Bank, Grand Rapids, Mich.
 Charles H. Huttig, President Third National Bank, St. Louis, Mo.
 F. O. Watts, President First National Bank, Nashville, Tenn.
 H. P. McIntosh, President The Guardian Savings & Trust Co., Cleveland, Ohio.
 Charles E. Farnsworth, Cashier First National Bank, Cleveland, Ohio.
 H. M. Landis, Vice-President & Cashier Federal National Bank, Pittsburg, Pa.
 Carroll Pierce, Vice-President Citizens National Bank, Alexandria, Va.
 E. R. Fancher, Vice-President Union National Bank.
 H. J. Nichols, Swift's N. E. Interests, Boston, Mass.
 Elliott C. McDougal, President Bank of Buffalo, Buffalo, N. Y.
 Elmer E. Melich, Charter National Bank, Media, Pa.
 A. C. Pleydell, Corresponding Secretary International Tax Association, New York, N. Y.
 Lawson Purdy, President New York Tax Department, New York, N. Y.
 Lucius Teter, President Chicago Savings Bank & Trust Co., Chicago, Ill.
 N. P. Gatling, Secretary Virginia Bankers Association, Lynchburg, Va.
 Jno. A. Klopfer, President Union Stock Yards Bank, Buffalo, N. Y.
 D. K. Brooks, Western Manager American Express Co., Chicago, Ill.
 L. E. Lambert, Representative of Paris "Le Temps," Paris, France.
 Jos. G. Brown, President Citizens' National Bank, Raleigh, N. C.
 W. G. Simpson, Cashier Citizens' National Bank, Meridian, Miss.
 L. P. Hillier, Vice-President American National Bank, Macon, Ga.
 C. W. Riecks, Vice-President & Cashier The Liberty National Bank, New York, N. Y.
 R. F. Bopes, President American National Bank, Lynchburg, Va.
 Leon Goodman, Attorney American National Bank, Lynchburg, Va.
 C. A. Sweedner, Editor "Money," Pittsburg, Pa.

Frederick H. Turner, Manager Swartwout and Appenzellar, New York, N. Y.

Arthur F. Schermerhorn, Assistant Secretary American Surety Co. of New York, New York, N. Y.
 H. L. Remmel, President Mercantile Trust Co., Little Rock, Ark.

Oliver C. Fuller, President Wisconsin Trust Co., Milwaukee, Wis.

Pierre Jay, Vice-President Bank of the Manhattan Company, New York, N. Y.

W. R. Barnet, Manager New York Office, New York Central Lines, New York, N. Y.

CLEARING HOUSE EXAMINATIONS.

It was not many years ago that the question of Clearing House Examiners for Clearing House cities was taken up and examiners appointed in some of the western cities. The Clearing House Section thereafter commenced a campaign of education, and at each of its successive conventions the subject has been placed on the program and thoroughly discussed, with the result that there are now Clearing House Examiners in the following cities: Chicago, Philadelphia, St. Louis, San Francisco, Minneapolis and St. Paul, Kansas City, Los Angeles, Milwaukee, St. Joseph, Mo., and Nashville, Tenn. The latest city to adopt the plan being Nashville.

In this number of the Journal and Bulletin will be found a very exhaustive and convincing report made by the Pittsburg Committee appointed to investigate the subject. Pittsburg is seriously considering the proposition of an examiner, and it is understood that Cleveland is also about ready to put the plan into operation.

CIPHER CODE.

The telegraphic cipher code of the American Bankers Association which went into effect September 15th, 1908, and was mailed to the members, is still in vogue and being used by them very extensively, but the new key to the test words, which became effective January 10th, 1910, is the one now in use. This new key was mailed to our members with the request that they destroy the old one.

From time to time we have been advised by members that they had not received the code and asking us to forward them a copy. On referring to our records we found that we held, in practically every case, a receipt for the code duly signed by an officer of the bank. We then requested them to make a careful investigation into the matter, with the result that the code was located, it having been mislaid.

The purpose of this article is to call our members' attention to this code, which is bound in blue cloth with the imprint of the Association thereon, so that if there are any members who do not at the present time know of the whereabouts, an investigation can be made in order that the same may be located for immediate use when necessary.

We desire to impress our members with the importance of the use of this code; it is an excellent one, and incidently is the means of the saving of a considerable sum of money throughout each year. We would urge those who do not use the code to adopt the same at once. **Don't procrastinate, but look into this matter now!** If it happens that you cannot locate the code or the key to the test words, advise us at once and we will be glad to communicate with you in regard to it.

LEGAL DEPARTMENT

THOMAS B. PATON · GENERAL COUNSEL

DEPOSITORS' GUARANTY FUND DECISIONS.

Full Text of Opinions of U. S. Supreme Court, Delivered January 3d, 1911, Upholding Depositors' Guaranty Fund Laws of Oklahoma, Nebraska and Kansas.

Below is published, without comment, the full opinions of the United States Supreme Court in the Oklahoma, Nebraska and Kansas Deposit Guaranty cases.

To briefly summarize the decisions:

In the Oklahoma and Nebraska cases, the Court holds that the guaranty laws of these States do not violate Section 10 of Article I of the Constitution of the United States which prohibits the State from passing any law impairing the obligation of contracts, inasmuch as the contract alleged to be impaired, namely, the charter of the bank, is subject to alteration or repeal by the State.

Nor do such guaranty laws violate the Fourteenth Amendment to the Constitution of the United States which prohibits the States from making or enforcing any law which shall "deprive any person of life, liberty or property without due process of law," as that amendment is viewed by the Supreme Court. The Court does not deny that by such guaranty laws a portion of the bank's property "might be taken without return to pay debts of a failing rival in business," yet it is pointed out that there are many laws of undoubted validity which diminish the property of the individual to a certain extent. For reasons given at length in the opinion, it is held that the guaranty laws in question are a reasonable exercise of the police power and "well within the State's constitutional power."

The further important proposition is decided that a State has the power, if it sees fit, to deprive the individual of his common law right to do banking business and make the right to engage in such business a franchise; that the State may not only regulate the business of private banking, but prohibit it except upon such conditions as it may prescribe.

In the case involving the Kansas law, which differs chiefly from that of Oklahoma and Nebraska in that contribution to the guaranty fund is not absolutely required, the Court holds that the State, having the power to compel contribution, has the right to attempt to bring about the same result by less compulsory and peremptory methods; and, discussing a number of details in which the law is attacked, holds that none of them affect its validity.

Notwithstanding the unanimous opinion of the Supreme Court, a petition for rehearing has been filed in the Oklahoma case on behalf of the Noble State Bank.

SUPREME COURT OF THE UNITED STATES.

No. 71.—October Term, 1910.

The Noble State Bank, Plaintiff in Error, vs. C. N. Haskell, G. W. Bellamy, J. P. Connors, J. A. Menefee, M. E. Trapp and H. H. Smock.

In Error to the Supreme Court of the State of Oklahoma.

[January 3, 1911.]

Mr. Justice Holmes delivered the opinion of the Court.

This is a proceeding against the Governor of the State of Oklahoma and other officials who constitute the State Banking Board, to prevent them from levying and collecting an assessment from the plaintiff under an act approved December 17, 1907. This act creates the Board and directs it to levy upon every bank existing under the laws of the State an assessment of one per cent. of the bank's average daily deposits, with certain deductions, for the purpose of creating a Depositors' Guaranty Fund. There are provisions for keeping up the fund, and by an act passed March 11, 1909, since the suit was begun, the assessment is to be five per cent. The purpose of the fund is shown by its name. It is to secure the full repayment of deposits. When a bank becomes insolvent and goes into the hands of the Bank Commissioner, if its cash immediately available is not enough to pay depositors in full, the Banking Board is to draw from the Depositors' Guaranty Fund (and from additional assessments if required) the amount needed to make up the deficiency. A lien is reserved upon the assets of the failing bank to make good the sum thus taken from the fund. The plaintiff says that it is solvent and does not want the help of the Guaranty Fund, and that it cannot be called upon to contribute toward securing or paying the depositors in other banks consistently with Article I, Section 10, and the Fourteenth Amendment of the Constitution of the United States. The petition was dismissed on demurrer by the Supreme Court of the State. 22 Okla. 48.

The reference to Article I, Section 10, does not strengthen the plaintiff's bill. The only contract that it relies upon is its charter. That is subject to alteration or repeal, as usual, so that the obligation hardly could be said to be impaired by the act of 1907 before us, unless that statute deprives the plaintiff of liberty or property without due process of law. See *Sherman v. Smith*, 1 Black, 587. Whether it does so or not is the only question in the case.

In answering that question we must be cautious about pressing the broad words of the Fourteenth Amendment to a drily logical extreme. Many laws which it would be vain to ask the Court to overthrow could be shown, easily enough, to transgress a scholastic interpretation of one or another of the great guarantees in the Bill of Rights. They more or less limit the liberty of the individual or they diminish property to a certain extent. We have few scientifically certain criteria of legislation, and as it often is difficult to mark the line where what is called the police power of the States is limited by the Constitution of the United States, judges should be slow to read into the latter a nolumus mutare as against the law-making power.

The substance of the plaintiff's argument is that the assessment takes private property for private use

without compensation. And while we should assume that the plaintiff would retain a reversionary interest in its contribution to the fund so as to be entitled to a return of what remained of it if the purpose were given up (see *Receiver of Danby Bank v. State Treasurer*, 39 Vt. 92, 98,) still there is no denying that by this law a portion of its property might be taken without return to pay debts of a failing rival in business. Nevertheless, notwithstanding the logical form of the objection, there are more powerful considerations on the other side. In the first place it is established by a series of cases that an ulterior public advantage may justify a comparatively insignificant taking of private property for what, in its immediate purpose, is a private use. *Clark v. Nash*, 198 U. S. 361. *Strickley v. Highland Boy Mining Co.*, 200 U. S. 527, 531. *Offield v. New York, New Haven & Hartford R. R. Co.*, 203 U. S. 372. *Bacon v. Walker*, 204 U. S. 311, 315. And in the next, it would seem that there may be other cases beside the every day one of taxation, in which the share of each party in the benefit of a scheme of mutual protection is sufficient compensation for the correlative burden that it is compelled to assume. See *Ohio Oil Co. v. Indiana*, 177 U. S. 190. At least, if we have a case within the reasonable exercise of the police power as above explained, no more need be said.

It may be said in a general way that the police power extends to all the great public needs. *Campfield v. United States*, 167 U. S. 518. It may be put forth in aid of what is sanctioned by usage, or held by the prevailing morality or strong and preponderant opinion to be greatly and immediately necessary to the public welfare. Among matters of that sort probably few would doubt that both usage and preponderant opinion give their sanction to enforcing the primary conditions of successful commerce. One of those conditions at the present time is the possibility of payment by checks drawn against bank deposits, to such an extent do checks replace currency in daily business. If then the Legislature of the State thinks that the public welfare requires the measure under consideration, analogy and principle are in favor of the power to enact it. Even the primary object of the required assessment is not a private benefit as it was in the cases above cited of a ditch for irrigation or a railway to a mine, but it is to make the currency of checks secure, and by the same stroke to make safe the almost compulsory resort of depositors to banks as the only available means for keeping money on hand. The priority of claim given to depositors is incidental to the same object and is justified in the same way. The power to restrict liberty by fixing a minimum of capital required of those who would engage in banking is not denied. The power to restrict investments to securities regarded as relatively safe seems equally plain. It has been held, we do not doubt rightly, that inspections may be required and the cost thrown on the bank. See *Charlotte, Columbia & Augusta R. R. Co. v. Gibbes*, 142 U. S. 386. The power to compel, beforehand, co-operation, and thus, it is believed, to make a failure unlikely and a general panic almost impossible, must be recognized, if government is to do its proper work, unless we can say that the means have no reasonable relation to the end. *Gundling v. Chicago*, 177 U. S. 183, 188. So far is that from being the case that the device is a familiar one. It was adopted by some States the better part of a century ago, and seems never to have been questioned until now. *Receiver of Danby Bank v. State Treasurer*, 39 Vermont, 92. *People v. Walker*, 17 N. Y. 502. Recent cases going not less far are *Lemieux v. Young*, 211 U. S. 489, 496. *Kidd, Dater and Price Co. v. Musselman Grocery Co.*, 217 U. S. 461.

It is asked whether the State could require all corporations or all grocers to help to guarantee each other's solvency, and where we are going to draw the line. But the last is a futile question, and we will answer the others when they arise. With regard to the police power, as elsewhere in the law, lines are pricked out by the gradual approach and contact of decisions on the opposing sides. Hudson County

Water Co. v. McCarter, 209 U. S. 349, 355. It will serve as a datum on this side, that in our opinion the statute before us is well within the State's constitutional power, while the use of the public credit on a large scale to help individuals in business has been held to be beyond the line. *Loan Association v. Topeka*, 20 Wall. 655. *Lowell v. Boston*, 111 Mass. 454.

The question that we have decided is not much helped by propounding the further one, whether the right to engage in banking is or can be made a franchise. But as the latter question has some bearing on the former and as it will have to be considered in the following cases, if not here, we will dispose of it now. It is not answered by citing authorities for the existence of the right at common law. There are many things that a man might do at common law that the States may forbid. He might embezzle until a statute cut down his liberty. We cannot say that the public interests to which we have adverted, and others, are not sufficient to warrant the State in taking the whole business of banking under its control. On the contrary we are of opinion that it may go on from regulation to prohibition except upon such conditions as it may prescribe. In short, when the Oklahoma Legislature declares by implication that free banking is a public danger, and that incorporation inspection and the above-described co-operation are necessary safeguards, this Court certainly cannot say that it is wrong. *North Dakota v. Woodmansee*, 1 North Dakota, 246. *Brady v. Mattern*, 125 Iowa, 158. *Weed v. Bergh*, 141 Wis. 569. *Commonwealth v. Vrooman*, 164 Pa. 306. *Myers v. Irwin*, 2 S. & R. 388. *Myers v. Manhattan Bank*, 20 Ohio, 283, 302. *Attorney General v. Utica Insurance Co.*, 2 Johns. Ch. 371, 377. Some further details might be mentioned, but we deem them unnecessary. Of course objections under the State constitution are not open here.

Judgment affirmed.

No. 445.

Ashton C. Shallenberger, Governor of the State of Nebraska; *Silas R. Barlop*, Auditor of Public Accounts of the State of Nebraska, et al., Appellants, vs. *The First State Bank of Holstein*, Nebraska, et al.

Appeal from the Circuit Court of the United States for the District of Nebraska.

[January 3, 1911.]

Mr. Justice Holmes delivered the opinion of the Court.

This is a suit by many banks to prevent the Banking Board of Nebraska from carrying out and enforcing an act similar to the Oklahoma statute just passed upon. It forbids banking except by a corporation formed under the act and provides for a guaranty fund. The Circuit Court held the statute unconstitutional and issued an injunction against the enforcement of it. 172 Fed. Rep. 999. For the reasons given in the foregoing case the decree of the Circuit Court must be reversed.

Decree reversed.

True copy.

Test:

JAMES H. MCKENNEY,
Clerk Supreme Court, U. S.

No. 617.—October Term, 1910.

Assaria State Bank of Assaria, *Citizens Bank of Atell*, et al., Appellants, vs. *Joseph N. Dolley*, as Bank Commissioner of the State of Kansas, and *Mark Tulley*, as State Treasurer of the State of Kansas.

Appeal from the Circuit Court of the United States for the District of Kansas.

[January 3, 1911.]

Mr. Justice Holmes delivered the opinion of the Court.

This is a bill in equity brought by many State banks of Kansas to prevent the enforcement of the Kansas law providing for a Bank Depositors' Guaranty Fund. The defendants demurred. The Circuit Court, while holding the act unconstitutional, dismissed the bill on the ground that the appellants did not show that their rights under the Constitution were infringed, and therefore did not state a case within the jurisdiction of the Court. 175 Fed. Rep. 365, 375, 381, 382. The ground of complaint was that the law imposed certain conditions upon sharing the benefits and burdens of contributors to the Guaranty Fund, that the appellants would not or could not contribute, and that unless they did the effect of the law would be to drive them out of business. It was complained also that whereas theretofore the plaintiffs would have been entitled to share pro rata in the assets of an insolvent bank to which they had given credit, now depositors with such of their debtors as should go into the guaranty system would be preferred. Again, various conditions of the scheme not affecting the plaintiffs were pointed out as unreasonable and arbitrary, and the whole act was alleged to be unconstitutional and void. There was added a charge that the act required taxation to meet the expenses of carrying out the scheme. To all this the Court replied that so far as the plaintiffs were concerned, it did not appear that they could not change their condition so as to enable themselves to contribute, and that the possible preference of other creditors was put as a pure speculation, it not being averred that any guaranteed bank indebted to any of the plaintiffs had failed, to which it might be added that the plaintiffs are free to withdraw their credits and collect their debts now. The charge as to taxation did not state a case under the Constitution, and violation of constitutional rights was the only ground for coming into the Circuit Court.

The case of *Noble State Bank v. Haskell*, just decided, cuts the root of the plaintiff's case, except so far as the Kansas law shows certain minor differences from that of Oklahoma. The most important of these is that contribution to the fund is not absolutely required. On this ground it is said, and was thought by the Circuit Judge, that the law could not be justified under the police power. We cannot agree to such a limitation. If, as we have decided, the law might compel the contribution on the grounds that we have stated, it may try to bring about the same result by the creation of motives less compulsory than command and of disadvantages in holding aloof less peremptory than an immediate stop. We shall not go through the details of minute criticism urged by the appellants, in most if not all of which they are in no way concerned. Perhaps the most striking of these subordinate matters is the preference of ordinary depositors over other creditors, a preference that seems to be overstated by the appellants. This, obviously, is in aid of what we have assumed to be the one of the chief objects and justifications of such laws, securing the currency of checks. The ordinary deposits are those that are drawn against in that way. Another discrimination complained of is that against unincorporated banks and banks not having a surplus of ten per cent. But if the State might require incorporation it may give advantages to incorporated companies. It might provide that no banking business should be done except by corporations and that corporations should not be formed or continue with less than a surplus of ten per cent, both provisions being for the purpose of assuring safety. If instead of that it allows the plaintiff to keep on without incorporation and with a smaller surplus they cannot complain that the safer banks will outstrip them as the result of the law. We think it unnecessary to discuss the case more at length.

Decree affirmed.

True copy.

Test:

JAMES H. MCKENNEY,
Clerk Supreme Court, U. S.

PAYMENT OF FORGED OR RAISED CHECKS.

The following statute, originally enacted in New York in the year 1904, has since been passed in a number of States upon the recommendation of the Law Committee of this Association:

"No bank shall be liable to a depositor for the payment by it of a forged or raised check unless within one year after the return to the depositor of the voucher of such payment, such depositor shall notify the bank that the check so paid is forged or raised."

The language of subsequent enactments in other States is, in most cases, substantially as above, except that the time limit of "one year" has in a number of States been reduced, running from "six months" to "thirty days." The record of legislation on the subject since 1904 is as follows:

1905 Wisconsin: "No bank shall be liable to a depositor for the payment by it of a forged or raised check unless action therefor shall be brought against such bank within one year after the return to the depositor by such bank of the check so forged or raised as a voucher."

1905 California: Time limit "one year." Contained in Statute of Limitations and bars action one year after payment. It reads: "340. Within one year * * * An action * * * by a depositor for the payment for a forged or raised check."

1905 South Dakota: "Three months"; phraseology otherwise as in New York.

1907 Michigan: "Three months"; phraseology otherwise as in New York.

1907 Washington: "Sixty days"; phraseology otherwise as in New York, except "trust company" also expressly specified.

1907 Oregon: "Thirty days"; phraseology otherwise as in New York.

1908 New Jersey: "One year"; phraseology otherwise as in New York.

1909 Iowa: "Six months"; phraseology otherwise as in New York.

1909 Montana: "One year"; phraseology otherwise as in New York.

1909 North Carolina: "Six months"; phraseology otherwise as in New York, except that "banking institution or trust company doing business in this State" inserted after word "bank" in first line; words "or order to pay money" inserted after "raised check" in second line and word "such" changed to "said" before word "depositor" in fourth line.

1909 North Dakota: "Thirty days"; phraseology otherwise as in New York.

1909 Wyoming: "Three months"; phraseology otherwise as in New York.

The following criticism of the phraseology of the New York statute has recently been received by General Counsel with request that the same be discussed in the columns of the Journal:

"It seems to me that the act is based upon a misconception of the liability of a bank to its depositor. No bank is now or ever has been liable to a depositor for the payment by it of a forged or raised check. The liability of the bank is to repay to the depositor or his order the amount of his deposit. In the absence of a statute on the subject, the amount of the bank's liability is, of course, not lessened nor affected by any charge to the depositor's account of any forged or raised check. Now, can a statute providing that there shall be no liability to a depositor for the payment of a forged or raised check, when in fact no such liability ever existed, be so construed as to cancel the liability that does exist, that of repaying the amount of the customer's deposits? I fear not. Will you kindly answer through the Journal of the American Bankers Association."

It must be admitted that the statute in question does not technically state the precise liability of a bank to its depositor, which is for the amount it owes him because of his deposits, or for the balance to his credit after deducting his valid paid orders, and that a better statement of non-liability would be a provision that no bank should be liable to a depositor for such amount due him upon deposit account as has been charged with the payment of a forged or raised check, etc.; or a still better form of statement would probably be in terms of right, as distinguished from non-liability, i. e., that a bank should have the right to charge to a depositor's account, as a valid payment, the amount paid by it upon a forged or raised check, unless, etc. And yet it is not at all unlikely that, in an action by a depositor to recover the amount due him on deposit account, where the bank should prove payment and return as a voucher of a check forged in his name, more than a year prior to the bringing of the action, the Court would hold that the reasonable intendment of the statute was to relieve the bank from liability for so much of the deposit as was charged with the amount of the check. The statute, taken as a whole, contemplates the case where a bank has paid a forged or raised check, charged its amount to the account of the depositor and returned it to him as a voucher for such payment; and it provides that unless the depositor notifies the bank within a year, the latter shall not be liable to the depositor for such payment.

The act is drafted on the theory that the payment is made with the depositor's money, not with the bank's money, and the intended meaning is that the bank shall not be liable to return a depositor so much of his deposit as has been used in making such payment. It is true, in theory of law, that when a man makes a general deposit the bank becomes debtor and when it pays his check, it pays its own money and reduces its indebtedness to its depositor by the amount of such payment. But the ordinary form of statement—not alone in common parlance but, frequently, by the courts—is that the bank pays out a man's deposits on his checks. For example:

"The bank was bound to know its depositor's signature and was under a duty not to pay out their money on some other signature" (N. Y. Produce Exchange Bank v. Houston, 169 Fed. 785).

"The plaintiff was a depositor in the defendant bank * * *. The present suit is for the recovery of the entire amount paid by the bank on the forged checks" (Israel v. State Nat. Bank, 50 So. 783; this language of the Court assumes a liability by bank to depositor for payment of forged checks and that the bank has paid the depositor's money).

"A bank, however, must at its peril pay out the money deposited" (Trust Co. v. Conklin, 119 N. Y. Supp. 367; not its own money, but the money of its depositor which he has deposited).

"We have found no case * * * in which the party has been thrown out of the law court and driven to chancery, to recover payment of a (forged) check carried into the passbook account," etc., (Lieber v. Fourth Nat. Bank, 117 S. W. 676. This assumes a liability of the bank for payment of its depositor's money on a forged check).

And instances might be multiplied where the courts speak of actions by depositors for their deposits, instead of for money due by the bank because of the deposits; of actions against a bank to recover money paid upon forged checks or to recover payment of forged checks, instead of for the amount due

upon deposit account wrongfully charged with money paid on forged checks; and where the courts say that the bank which pays a deposit upon a forged check is liable therefor to the depositor, instead of, more strictly, that where a bank pays its own money upon a forged check and charges the amount to its depositor's account, it remains liable to him for the full amount of his deposit undepleted by the amount of such payment.

In view of all this, where a statute provides that "no bank shall be liable to a depositor for payment by it of a forged or raised check," etc., it is not unreasonable to suppose that the courts will construe such statute (which virtually provides that the bank having paid its depositor's money upon a forged or raised check shall not be liable to him therefor) according to the popular meaning of the language employed, equally as if the statute was couched in terms of technical accuracy.

There is only one decided case that I know of in which this statute has been involved (Pratt v. Union Nat. Bank, 75 Atl. 313; decided by the Supreme Court of New Jersey, December 21, 1909) and in that case it was inferentially sustained. A depositor sued a bank for his deposit. The bank proved that it had paid and returned to the depositor as a voucher more than a year before the suit was brought, a check of its depositor upon which the payee's indorsement had been forged and it contended that there could be no recovery because no notice was given to the bank of the forgery within one year after the return to the depositor of the voucher. The New Jersey statute, however, had not been enacted until after the transaction had occurred and the Court held that it was not retroactive and therefore did not apply. All that is to be gathered from the decision is the inference that had the statute been in force at the time of the transaction, it would have relieved the bank from liability. The Court said:

"The action in question accrued before the statute was enacted. To give it effect in this case would deprive the plaintiff of his existing remedy, for he did not discover the forgery until after the time limited by the statute had elapsed. It will be presumed that this was not the intent of the Legislature. To avoid such a result we should give the statute a prospective operation. We are of opinion, therefore, that it does not affect this suit."

It will be observed that not only by this decision is the criticised statute inferentially held to have the effect intended of relieving the bank from liability in case of forged and raised checks, but also inferentially its scope is extended to include money paid and charged to a depositor's account upon forged indorsement of his genuine checks. This latter effect was probably not within the contemplation of the framers of the act.

When the Standing Law Committee of the American Bankers Association was organized in 1906, the New York statute of 1904 was taken up and urged for enactment in other States as a useful piece of legislation, without any attempt to draft a new law on the subject. At a meeting of the Law Committee in November last, the phraseology of this statute was deemed unsatisfactory and the Committee caused to be drafted a new statute to be recommended to the 1911 State Legislatures, which is as follows:

Be it enacted, etc.

Section 1. No bank which has paid and charged to the account of a depositor any money on a forged or raised check issued in the name of said depositor shall be liable to said depositor for the amount paid thereon unless either (1) within one year after notice to said depositor that the vouchers representing payments charged to the account of said depositor for the period during which such payment was made are ready for delivery, or (2) in case no such notice has been given, within one year after the return to said depositor of the voucher representing such payment, said depositor shall notify the bank that the check so paid is forged or raised.

Section 2. The notice referred to in the preceding section may be given by mail to said depositor at his last known address with postage prepaid.

This proposed law was forwarded in December last to the Legislative Committees of the State Bankers' Associations in those States where the legislatures meet during the present year, with an explanatory statement made by General Counsel, reading as follows:

"The object of the proposed law is to fix a limit of time (one year or a shorter period) after which a bank will not be liable to its depositor because of its payment of money on a forged or raised check issued in the name of the depositor. The time begins to run when notice has been mailed the depositor that his paid vouchers are ready for delivery or, in case no such notice is given by the bank, the time runs from the return of the forged or raised check to the depositor as a voucher. Heretofore the New York statute, enacted in 1904 (which is printed below), has been recommended and such law has been passed, in substance, in a number of States with time limit ranging from one year down to thirty days. The New York law made the time run from the return of the forged or raised check to the depositor as a voucher. The proposed law has now been remodeled to cover, in addition, the numerous class of cases where notice is mailed to the depositor that his vouchers are ready for delivery, but the notice is ignored and the depositor does not obtain his vouchers from the bank."

The criticism of the existing statute now received is most pertinent for, whether or not the act already passed will stand the test of the courts, it is certainly susceptible of improvement and a copy of this article will be forwarded to the Legislative Committees of State Bankers' Associations in States where the New York draft is now in force, that they may consider the advisability of causing its amendment.

One further point is deserving of attention; whether the phrase "forged or raised check" as used in the statute heretofore enacted will be held to include a case where money is paid upon a forged indorsement of a genuine check. While this has been inferentially held in New Jersey, it is doubtful whether the act would receive this construction by the courts generally. It may be stated, as showing a curious difference of opinion, that in one State of the Union where this statute is in force, an attempt has been made on behalf of the bankers to amend it by the addition of a provision to make it expressly cover forged indorsements, while in another State of the Union, for fear that the statute might be so construed, an amendment has been contemplated expressly excluding forged indorsements from the operation of the law.

BANK NOT A WARRANTOR OF BILL OF LADING.

The Supreme Court of Kansas in a recent decision (*Central Mercantile Co. v. Oklahoma State*

Bank, Dec., 1910) has reaffirmed the doctrine that where a seller of goods ships them and makes a draft upon the purchaser with bill of lading attached, the bank which buys the draft and receives payment thereof from the drawee is not liable for the return of any portion of the proceeds on account of any defect in the quality of the goods. The Supreme Court said:

"We perceive no ground of liability on its (the bank's) part, unless one who purchases and collects a draft with a bill of lading attached is deemed to guarantee the character or quality of the goods shipped. A few cases have so held, but two of the principal ones (*Landa v. Lattin Bros.*, 19 Tex. Civ. App. 246; *Finch v. Gregg*, 126 N. C. 176,) have been recently overruled (*Blaidsell Co. v. National Bank*, 96 Tex. 626; *Mason v. Cotton Co.* 148 N. C. 492). The general doctrine to the contrary is well settled. In *Hall v. Keller*, 64 Kan. 211, it was said: 'If the banks in whose favor such bills are drawn are made liable for damage on account of the defective quality of the property shipped, and covered by the bill of lading, * * * a serious impediment would be placed in the way of shippers who need a part or all of the price of the commodity sold before its arrival in the market to which it is consigned.'

NON-LIABILITY OF BANK FOR FORGED BILL OF LADING.

In the January Journal (page 394) we referred to the decision of Mr. Justice Newburger, of the New York Supreme Court, who, on December 21, directed a verdict against the Hanover National Bank in favor of Springs & Co. for \$39,000 because of the bank's receiving payment of certain drafts to which were attached forged bills of lading. At the time that decision was rendered, it was arranged that briefs should be submitted before an opinion was filed.

This decision, being contrary to the great weight of authority in this country, we felt quite confident that it would not hold good and so stated in our article on the subject in the January Journal, in which the contrary decisions were referred to.

Justice Newburger has now (Feb. 1), handed down an opinion, setting aside the verdict previously directed by himself and ordering a new trial. In the course of his opinion Justice Newburger says:

"It would appear that the decisions of the English courts and the Supreme Court of the United States have uniformly held that money paid upon a draft, properly drawn, but accompanied by forged bills of lading, when paid by the drawee, cannot be recovered back."

"It is conceded that the defendant (the Hanover National Bank) received the draft with the bills of lading and certificates of insurance from the First National Bank of Decatur, who by reason of having discounted the draft was a bona fide holder for value, and in presenting to the plaintiffs and receiving payment therefor the defendant acted as the agent of the Decatur bank.

"It furthermore appears that neither the defendant nor its principal had knowledge that the bills of lading or certificates of insurance were forged. The defendant's authority was simply to collect the amount of the draft. It did not guarantee the validity of the collateral, or that the cotton would be delivered.

"It also appears that Knight, Yancey & Company became bankrupt three weeks after the payment by the plaintiffs of the draft and fifteen days after the Decatur bank had drawn the balance in the hands of the defendant, and almost one month before the plaintiffs notified the defendant of the non-arrival of the cotton."

OPINIONS.

Summary of Questions Received and Opinions Rendered to Members of the Association.

CORPORATION NOTE.

Best form of signature by official to escape personal liability.

From New York.—1. Will you please advise me what form of signature should be used by an officer of a corporation in signing the notes of the corporation, so that all courts would hold him free from personal liability?

2. I would also thank you to advise me of the general position taken by courts in regard to personal liability, where the officer signs simply "John Jones, Treasurer." Would the expression "As Treasurer" protect him from personal liability better than the use of merely the expression "Treasurer"?

1. Where a note simply reads "I" or "We" promise to pay, without reciting in the body of the promise that "The Smith Manufacturing Company" promises to pay, the form of signature which should be used by an officer authorized to sign the note in behalf of the corporation, in order to free himself from personal liability, should be either "The Smith Manufacturing Company by John Jones, Treasurer," or "For the Smith Manufacturing Company, John Jones, Treasurer." True, the majority of courts hold that the signature "Smith Manufacturing Company, John Jones, Treasurer," without the use of the word "by" or "per" makes the instrument the note of the corporation alone. There are decisions to this effect in California, Maine, Massachusetts, Nebraska, New Jersey, Ohio, Texas and Wisconsin, but it is not universally so held. In Iowa, the following signature

"Independence Mfg. Co.

B. I. Brownell, Pres.

D. B. Sanford, Sec."

was held to bind, not alone the corporation, but also Brownell and Sanford individually. *Heffner v. Brownell*, 70 Iowa 591; 75 Iowa 341.

The universally safe signature for an officer who wishes to escape personal liability is, therefore, as above suggested; unless the note is made to read "The Smith Manufacturing Company promise to pay" when the signature "John Jones, Treasurer," would not import an individual liability. *Shaver v. Ocean Mining Company*, 21 Cal. 45. But even here, if the note instead of reading as above should read "We, "The Smith Manufacturing Company promises to pay" and be signed "John Jones, Treasurer," there might be danger that the treasurer would, in some States, be held personally liable. This is illustrated by the decision of the Supreme Court of Iowa in *Day v. Ramsdell* 52 N. W. 208. In that case the note provided: "We, the Tama Paper Company, promise to pay" etc., and it was signed "John Ramsdell, Pres. H. E. Ramsdell, Treas." The court held the two Ramsdells personally bound. It said that on the face of the instrument it was their undertaking. The promise that "We, the Tama Paper Company" will pay has direct reference to the signatures affixed to the note. It designates John and H. E. Ramsdell as the promisors. It has reference to no other person than the persons whose names are signed to the paper. It does not appear that the Tama Paper Company was a corporation when the note was executed,

or whether it was a partnership or voluntary association of persons. There is no reason why two or more persons may not engage in business and adopt a company name. The fact that "Pres." and "Sec." are added to the names does not limit the obligation of the Ramsdells. The language of the body of the instrument cannot be controlled by the mere description of the person whose name is signed thereto.

2. Where the name of the corporation is not designated as sole promisor in the body of the note and it is signed merely "John Jones, Treasurer," the weight of authority is that the word "Treasurer" is merely descriptive of the person and not of the character of the liability and that Jones will be personally liable. It has been so held in New York even where the name of the corporation is printed on the margin of the note. *Casco National Bank v. Clark*, 139 N. Y. 307. In that case the note provided "We promise to pay" and it was signed "John Clark, Prest., E. H. Close, Treas." Printed across the left margin of the note were the words "Ridgewood Ice Co." Notwithstanding this, it was held that the note was still the personal obligation of Clark and Close and that the name of the corporation on the margin did not constitute any part of the instrument or in any way change its character.

You ask whether the words "As Treasurer" would protect the officer from personal liability, better than the word "Treasurer." While this would seem to indicate that the Treasurer signs in a representative capacity, the Negotiable Instruments Law provides:

"Where the instrument contains, or a person adds to his signature, words indicating that he signs for or on behalf of a principal, or in a representative capacity, he is not liable on the instrument if he was duly authorized; but the mere addition of words describing him as an agent, or as filling a representative character, without disclosing his principal, does not exempt him from personal liability."

According to this the mere addition of words describing the signer "as filling a representative character without disclosing his principal, does not exempt him from personal liability." Signing "As Treasurer," therefore, without prefixing the name of the corporation to the signature or inserting the name of the corporation as sole promisor in the body of the note, would not seem to be a safe form of signature to shield the officer from personal liability.

DEPOSITORY FOR BANKRUPTCY ESTATES.

National Bankruptcy Law does not restrict deposits to National Banks and the Courts of Bankruptcy may designate, by order, State Banks as depositories.

From North Carolina.—I would like to know if there is any law requiring a trustee for a bankrupt to deposit the money collected in a National Bank, where the trustee gives sufficient bond to cover everything, or can he deposit it in a State Bank if he chooses?

Deposits of money of a bankrupt estate by the trustee are regulated by court order, but there is nothing in the National Bankruptcy Law which re-

stricts the court to naming a national bank as depository and it may designate a State bank if it so chooses. This subject is governed by section 61 of the National Bankruptcy Law, which is as follows:

"a. Courts of bankruptcy shall designate, by order, banking institutions as depositories for the money of bankrupt estates, as convenient as may be to the residences of trustees, and shall require bonds to the United States, subject to their approval, to be given by such banking institutions, and may from time to time as occasion may require, by like order increase the number of depositories or the amount of any bond or change such depositories."

RUBBER STAMP INDORSEMENT.

Indorsement of corporation by mere rubber stamp of its name, valid and effectual to transfer title—but bank purchasing paper should require, in addition, handwritten signature of authorized official.

From Wisconsin.—A corporation wishes to sell us a trade note payable out of town. They indorse with the ordinary rubber indorsement stamp. We contend that in addition to this, an officer should have signed in ink in his official capacity. We should like to know whether our contention is correct.

While the indorsement of a corporation by mere rubber stamp of its name, whether for the purpose of conveying title to paper of which it is payee or of appointing an agent to collect payment, is as legal as a written indorsement (assuming, of course, the indorsement is authorized) I would not regard it as good banking practice, when purchasing a note from a corporation payee, to take the note with the mere rubber stamp indorsement without the written signature of the proper officer in his official capacity. Should any controversy arise wherein it was necessary for the bank to prove its title through the indorsement, or to hold the corporation liable as indorser, it would be more difficult to prove that the bare rubber stamp impression had been placed on the note by an authorized official of the corporation, than if his handwritten signature was affixed. It might be the case, also, that the by-laws of the corporation or resolution of its Board of Directors would require the signature of certain officials, one or more, to transfer its paper, which requirement would not be complied with by the mere stamped impression of the name of the corporation.

I think, therefore, in addition to the rubber stamp of the corporation's name, the written signature in his official capacity of the officer or officers of the corporation authorized to indorse and negotiate the note should be insisted on.

EXTENSION CLAUSE IN NOTE.

Conflicting decisions as to effect upon negotiability of provisions agreeing to extension of time of payment without prejudice to holder—Point undecided in South Dakota.

From South Dakota.—Please advise us as to what legal effect the following clause on the face of a note would have, given in South Dakota: "The makers, guarantors, sureties and endorsers of this note severally waive presentment for payment, protest, notice of nonpayment, and diligence, and agree that time of payment may be extended without affecting their liability."

The provision quoted raises the question whether

its legal effect would be to destroy the negotiability of the note. The waiver of presentment, protest, notice and diligence would not have this effect. Whether the agreement that the time of payment may be extended without affecting the liability of the parties, destroys the negotiability of the note, is a question upon which there is much conflict of authority in the different States. In South Dakota I fail to find that the point has been decided.

I will not attempt an exhaustive citation of the cases on this subject, but refer merely to a few on each side of the question to illustrate the conflict.

In Kansas, for example, (Bank v. Gunter, 67 Kan. 227), the provision in a note that "the makers and indorsers hereof hereby * * * agree to extensions and partial payments before, or after maturity, without prejudice to holder" was held to destroy negotiability, because it made the time of payment uncertain and indefinite.

So also in Michigan (Bank v. Wheeler, 75 Mich. 546), the stipulation in a note to the effect that the payee or holder might extend the time of payment without notice and without prejudice to his rights against makers, sureties and indorsers was held to take from the note its negotiable character.

The same was held in Indiana (Glidden v. Henry, 104 Ind. 278), as to the effect of a provision in a note that the time of payment might be extended indefinitely as the payee or his assigns might see fit.

And in Iowa (Woodbury v. Roberts, 59 Iowa, 348), the Supreme Court held that the following clause made the time of payment uncertain and destroyed the negotiability of the note containing it: "The makers and indorsers of this obligation further expressly agree that the payee or his assigns may extend the time of payment thereof from time to time indefinitely as he or they see fit." The Court said: "The note before us may never fall due for payment may be extended indefinitely."

On the other hand, in Missouri (Bank v. Goodloe, 93 Mo. App., 123), where the note contained the words: "The makers and indorsers agree to all extensions and partial payments before or after maturity, without prejudice to holder," the Court held that these words did not destroy negotiability, but amounted to no more than an agreement that in the event of an extension of time the holder should not be prejudiced thereby. It said: "Under this agreement the holder was given the option to extend the time of payment without thereby creating the right to defend on that ground * * * The time of payment is certain, but if the holder exercise his option under the extension clause and fix another time, the time would be none the less certain."

Likewise in Texas (Bank v. Kenney, 98 Tex., 293), where the note contained this clause: "The makers and indorsers hereof hereby severally waive protest, demand and notice of protest and non-payment in case this note is not paid at maturity and agree to all extensions and partial payments before or after maturity without prejudice to holder" the Court held the instrument negotiable saying that the clause did not give either the holder or the maker the right to extend the note without the consent of the other but merely made a provision that in case time of pay-

ment is extended by agreement between maker and holder the sureties and indorsers should not be discharged.

Also in your neighboring State of North Dakota, the Supreme Court in 1908 (First Nat. Bank v. Buttery, 116 N. W., 341), held that the negotiability of a promissory note is not destroyed by a provision therein that the makers and indorsers thereof severally waive presentment for payment and notice of protest and consent that time of payment may be extended without notice. The Court in this case said:

"Such extension, if made at all, is made by an agreement between the principal debtor and the holder of the paper, either with or without the consent of the indorsers. This provision seems to us to have been inserted to protect the holder against any release of indorsers or others by an extension without their assent and the word 'makers' is evidently included to prevent any misunderstanding or misconstruction of the contract or failure to distinguish between makers, indorsers, sureties and any other parties who might be or become liable thereon under certain contingencies as makers. This phrase does not express an agreement to extend time, but leaves the matter of extension optional with the holder and not obligatory upon him, and the note on its face fixes the time when it becomes due. In this respect it must be distinguished from a provision to the effect that the time of payment shall be extended indefinitely, in which case the uncertainty of time renders the instrument non-negotiable."

In the above I have given you illustrations of the conflicting rules with the reasons upon which they are based. In my opinion the cases which would hold a note, such as you submit, to be negotiable are supported by the better reason; but it must not be overlooked that in some States the Courts hold such instruments not negotiable while the Supreme Court of South Dakota has not as yet passed upon the question.

INVESTMENT OF TRUST FUNDS IN NORTH CAROLINA.

Fiduciaries may invest in United States Securities or in consolidated bonds of the State.

From Pennsylvania.—Will you kindly cite to me the law of North Carolina authorizing the investment of trust funds by persons holding funds in trust?

Section 1792 of the Revised Code of North Carolina (Pell's Revisal, 1908) provides that: Guardians, trustees and others acting in a fiduciary capacity, having surplus funds of their wards and cestuis que trustent to loan, may invest in United States Bonds, or any securities for which the United States are responsible, or in consolidated bonds of the State of North Carolina, and in settlements by guardians, etc., such bonds or other security of the United States, and such bonds of the State of North Carolina shall be deemed cash to the amount actually paid for same, including the premium, if any, paid for such bonds or other securities, and may be paid as such by the transfer to the persons entitled.

CERTIFICATE OF DEPOSIT—POST-DATED CHECK.

Certificate payable "in current funds" not negotiable in Indiana—Legality of post-dated check.

From Indiana.—1. We issue a time certificate of deposit which at the bottom reads as follows: "Payable six months after date to the order of..... in current funds on the return of this certificate properly indorsed." "With interest at the rate of 3 per cent. per annum until maturity." "Interest on this certificate to cease six months after date." "Not subject to check." Do the words "Payable in current funds" make this certificate non-negotiable in this State?

2. Is it illegal to date a check ahead? Is it illegal to pay a check ahead of the time it is dated?

1. The Supreme Court of Indiana (Bank v. Ringel, 51 Ind., 393) has held that a certificate of deposit payable "in current funds," is not payable in money and therefore not negotiable. The decisions in other States conflict upon this proposition.

2. It is not illegal to date a check ahead but if a post-dated check is paid before its date, the payment is at the risk of the bank.

TAXATION OF NATIONAL BANKS.

States or municipalities have no power to impose special or occupation taxes upon national banks.

From Oklahoma.—Can a national bank be forced by State law to pay a special or occupation tax?

It is beyond the power of a State or municipality to compel a national bank to pay such a tax. The attempt to impose special license or privilege taxes upon national banks has been made in a number of States, but such taxation has uniformly been held unlawful.

For example, in Shelton v. Platt, 139 U. S., 591, the Supreme Court of the United States held that a license tax which undertakes to tax the operations of national banks is unconstitutional. In Missouri, in the case of City of Carthage v. First National Bank, 71 Mo., 508, it has been held that a State or municipality has no power to exact a license fee from a national bank for the privilege of doing business within its limits. So again in Georgia, Mayor v. First National Bank of Macon, 59 Ga., 648, it was held that the right of a national bank to operate and do a banking business cannot be taxed by the State. So also in Tennessee, National Bank of Chattanooga v. Mayor, 8 Heisk., 814, it has been held that a municipality has no power by ordinance to levy a "privilege" tax on national banks.

GUARANTY OF INDORSEMENT.

Customary bank indorsement "Pay to order of any bank, etc. Prior indorsements guaranteed" is sufficient guaranty of genuineness and validity of prior indorsement.

From Pennsylvania.—Kindly give your opinion and decisions bearing on the questionable indorsement stated below. Names given are fictitious but check is real.

INCLUDING BULLETIN OF THE AMERICAN INSTITUTE OF BANKING.

A check is drawn to order of John Doe and Co. It is endorsed, 1st (by rubber stamp)

John Doe & Co.
James Roe—Treasurer
Per G.

"John Doe & Co." & "Treasurer" are printed by the stamp and "James Roe" & "per G" are in writing. Then follows the usual rubber stamp bank indorsement as follows:

Pay to the order of
any bank, banker or Trust Co.
Prior Indorsements Guaranteed.
City Trust Co.,
Blanktown, Pa.
R. E. Echo, Treas.

The question arising here is whether this customary bank indorsement, with the guarantee clause, used by all banks on account of restrictive indorsements, is a sufficient guarantee for the above irregular indorsement. Or should the bank on which check is drawn require a special and separate guarantee for safety?

In other words, does the clause, "All prior indorsements guaranteed," as found in the usual rubber stamp bank indorsements actually guarantee all indorsements, regular and irregular?

The indorsement by the City Trust Company, "Pay to the order of any bank, banker or Trust Co., prior indorsements guaranteed," is a sufficient guarantee of the genuineness and validity of the prior partly written and partly stamped payee's indorsement. In other words, if such payee's indorsement was placed thereon without authority, the City Trust Company would be liable upon its guarantee to the payor of the draft. This has been directly so held by the Supreme Court of Pennsylvania, in the case of the Second National Bank of Pittsburg v. Guarantee Trust and Safe Deposit Company, 206 Pa., 616. In that case the payee's indorsement had been forged and following such forged indorsement was an indorsement with guarantee substantially the same as the one above quoted. The Supreme Court of Pennsylvania, in holding the bank which placed such indorsement on the draft liable to the drawee bank which had paid it, said that the form in which the defendant indorsed the draft made it an express guarantor of

the validity of the prior indorsement. You will find this case more fully referred to in the Journal for October, 1910. (See page 203.)

SAME ROOM FOR BANK AND SAVINGS BANK.

Prohibitory legislation in New York and Massachusetts.

From Indiana.—I understand that New York and Massachusetts have legislated against the condition of a bank and a trust company operating in substantially the same room, with substantially the same set of active officers and the same vault facilities. Will you kindly inform me of the laws of those two States on the subject?

The New York and Massachusetts legislation, to which you refer, does not prohibit a commercial bank and trust company, from operating in the same room, with substantially the same officers, but relates only to savings banks which, in those States are trustee institutions without capital stock. The New York legislation is confined to prohibiting the doing business in the same or connecting room, while the Massachusetts statute goes further and prohibits officers of savings banks from being officers of other banks. I quote the statutes of the respective States:

New York. (Subdiv. 7, Sec. 26, Banking Law)
"No savings bank hereafter incorporated shall do business or be located in the same room or in any room communicating with any bank or national banking association."

Massachusetts. (Secs. 19 and 20, Ch. 590, Acts of 1908): "No savings bank shall occupy the same office or suite of offices with a national bank, trust company or other bank of discount, nor any office directly connected by means of doors or other openings in partitions with the office or suite of offices used or occupied by any such national bank, trust company or other bank of discount * * * No president, vice-president or treasurer of such corporation shall hold the office or perform the duties of president, vice-president, treasurer or cashier of a national bank or trust company or any other bank of discount."

PROTECTIVE DEPARTMENT

L.W. GAMMON

MANAGER

RULES OF PROTECTIVE COMMITTEE AMERICAN BANKERS ASSOCIATION.

The AMERICAN BANKERS ASSOCIATION, in deciding to become the aggressive agent of its members for the apprehension and prosecution of criminals, devolves the executive work upon a Protective Committee of three persons (whose names are not made public), which Committee has full power, when called upon for aid by any member, to take such steps as it shall deem proper to detect, arrest and prosecute the offenders.

The policy of the Committee is to relentlessly pursue every bank criminal as outlined in the following rules, which govern the action of the Committee:

1. Upon receipt of notification by the General Secretary, No. 11 Pine Street, New York City, or the nearest office or correspondent of THE WILLIAM J. BURNS NATIONAL DETECTIVE AGENCY, INC., of an attempted or successful perpetration of fraud or crime upon a member of the Association, either by forgery, check-raising, robbery, hold-up or safe-breaking, accompanied by a full account of the offence and, if possible, a description of the perpetrators, the Committee will at once undertake the apprehension of the criminals through the service of detectives and such other means as they may consider warranted. A case once committed to the Association cannot be taken out of its hands, nor the offence condoned or compromised.

2. In reporting cases of crime, the Protective Committee understands that the members so reporting will have a warrant issued for the criminal concerned.

The Committee relies upon the State, county or local authorities to arrange for the extradition and the payment of the expense incident to the return of the prisoner. The Committee will not pay extradition expenses.

3. The Committee cannot undertake action on cases unless immediate notice of crime has been given to the General Secretary, or such notice sent to the nearest office or correspondent of The William J. Burns National Detective Agency, Inc., and the Association cannot be held responsible for any expense incurred for protective work, which has not been previously authorized by the Protective Committee.

4. The Committee cannot take cognizance of crime perpetrated by employees; the vigilance, alertness and energy of the officers of the banks must be relied upon in such cases.

The Committee will not take cognizance of cases where other than members are defrauded. If customers of members cash checks for unidentified strangers and same turn out to be forged or raised they must pursue the criminal through the police, sheriff or county authorities or some detective agency at their own expense.

It is expected that every member will co-operate with the Committee by promptly reporting every offence coming under their notice as well as by using all reasonable efforts in assisting in the arrest and conviction of the criminals.

FRED. E. FARNSWORTH, GENERAL SECRETARY.

Checks signed Moses Cohen and drawn on The United States Trust Company, Boston, Mass., are being circulated in New York City. These checks are worthless.

Warrants charging forgery and obtaining money under false pretenses have been sworn out in Youngstown, Ohio, for the arrest of William Reichwein and Rudolph Maschke, both of whom are implicated in the theft of a bank book belonging to a depositor in a Youngstown, O., savings bank. One of these men stole the bank book and the other forged the signature to a receipt covering the amount of the deposit represented in the book.

Reichwein is 38 years of age, 5 feet 5 inches tall, weighs 150 lbs., medium build, fair complexion, light hair (combed flat), small light mustache; wore when last seen, a light soft hat, neat dark suit, vest with white edging, no overcoat. He has worked on ocean passenger ships, in hotel kitchens and on plaster of Paris work in interior decorating.

Maschke is 32 years of age, 5 feet 6 inches tall, weighs 165 lbs., stocky build, florid complexion, small blue eyes, light brown hair (worn pompadour), medium sized dark mustache. He wore when last seen a black derby hat, poor fitting dark green suit, low shoes, no overcoat. He is said to be an electrician.

Both men are of German birth and speak very little English.

Members are warned to be on the lookout for a swindler employing the name of Howard E. Farnsworth, who operated in Brooksville, Fla., a few weeks ago. Farnsworth made his appearance in Boston in December, and while there visited the offices of the Florida Farm & Orchard Company, where he obtained information concerning certain fruit lands.

owned by that firm in Brooksville. Under the pretense that he intended to buy some land in Brooksville he succeeded in securing a letter of introduction to the Brooksville office. Subsequently he appeared in Brooksville, presented the letter of introduction and finally closed a contract for the purchase of land valued at \$1,600. It was requested that he make a down payment of \$100 to bind the bargain. Farnsworth then produced a check drawn on an Elliot, Mass., bank, in the sum of \$300, which purported to be certified by the Elliot bank. He secured an introduction to the cashier of a local Brooksville bank and deposited the check for \$300. Later in the day he drew out \$200 in cash and that evening made his departure from Brooksville, while his check for \$300 came back stamped "No Good." This swindler is 38 years of age, 5 feet 8 inches tall, weighs 160 lbs., heavy build, square broad shoulders, dark hair, dark eyes, ruddy complexion, smooth shaven, good dresser, fluent convincing talker. He wore a blue suit, tan shoes, black overcoat and brown alpine hat crushed in the middle. A specimen of Farnsworth's handwriting is reproduced below.

Dec my self
Three hundred
86 Farnsworth

Page 16 (second column) of the July, 1910, Journal contains a notice concerning the operations of a swindler employing the name of C. Woods, with numerous aliases. The November, 1910, Journal, page 308 (second column), contains a warning notice relating to the same person. Members are again cautioned to be on the lookout for this crook, who is a dangerous bogus check operator. He appeared in Birmingham, Ala., last month and operated under the name of N. Carson, fraudulently claiming to represent Snow, Church & Company, of Nashville, Tenn. This swindler has a very winning personality; he is thoroughly conversant with railroad matters. His mode of operation is to tender a check for \$100 purporting to have been issued by some reliable firm. This check is usually presented during the Saturday rush hour, and as a rule, is promptly cashed by the paying teller. The check is always drawn on a bank in some distant city and his success in having same cashed is due to the swindler's ability to convince the paying teller that they are old acquaintances. Woods, alias Carson, is about 42 years of age, 5 feet 11 inches tall, weighs 150 lbs., florid complexion, blue eyes, smooth shaven, full face, polite manner, jovial disposition.

Members are warned to be on the lookout for a young man giving the name of G. Robert Whitney, who last month attempted to defraud a bank in New York City. Whitney appeared at the bank in question and presented a check, bearing his signature, drawn on a Newark, N. J., bank, which he stated he desired to exchange for travelers' checks. The Cashier told Whitney that he would be obliged to send the check to Newark for collection before he could honor same. Whitney left the check at the bank and promised to return the following day. The check came back marked "No Good," but Whitney failed to reappear at the bank. Investigation disclosed the information that Whitney had previously opened an account with the Newark bank with a fraudulent check drawn on a Buffalo, N. Y., bank. This crook is described as 26 years of age, 5 feet 7 inches tall, weighs 135 lbs., medium build, light mustache, light complexion, well dressed. A specimen of Whitney's handwriting appears below:

Three hundred one
 $301 \frac{50}{100}$ 198
Robert Whitney

A person who signs the name of John A. Pender is at present operating in the South, where he has defrauded merchants with worthless checks drawn on the First National Bank of Nashville, Tenn. These checks bear the forged certification stamp of the First National Bank of Nashville. Pender also operates under the name of John A. Hanberg.

The authorities of Oacoma, S. Dak., hold a warrant for the arrest of Rudolph Verlin, who succeeded in obtaining the cash in that city on a worthless check. Verlin formerly conducted a butcher shop in Kennebec, S. D., where he was also engaged in buying and selling live stock. He is of German birth, 35 to 40 years of age, 5 feet 6 inches tall, weighs 145 to 150 lbs., dark hair, dark heavy mustache, dark complexion, speaks broken English.

Julius Maier is wanted in West Hoboken, N. J., in connection with the forging of a depositor's signature to a check drawn on a bank in that city. Maier is said to be 45 to 50 years of age, 5 feet 7 inches tall, weighs 135 lbs., dark brown hair, mixed with gray, narrow deep set blue eyes, small mouth, Jewish cast of features, dresses plainly in dark clothes. A specimen of his handwriting appears below:

*Decatur 250
 Twenty one 1/100
 Julius Maier*

Merchants in Washington, D. C., have been defrauded by a person employing the name of C. E. Hill, for whom they cashed worthless checks drawn on the National Bank of Fairmount, Fairmount, W. Va. Hill is said to be a young man about 5 feet 11 inches tall, weighs 175 to 180 lbs., dark complexion, smooth shaven, well dressed. A specimen of his handwriting appears below.

*Bert & Leopold
 Twenty-five
 250 12 10*

Tradespeople in Burlington, Wis., have, during the past month been victimized by a bogus check operator employing the name of John A. Logan, who is issuing bogus checks drawn on the German-American Bank of Milwaukee, Wis. Logan is described as 27 years of age, 5 feet 10 inches tall, weighs 165 lbs., dark eyes, dark hair, dark complexion, sharp pointed—slightly peaked—nose, well dressed, and has the appearance of a traveling man.

W. W. Kremkau, alias W. W. Krinken, is drawing drafts without authority on the Dixon-Hanson Company, and members are therefore warned not to cash any drafts for the above-named swindler. Kremkau was at one time employed by the Dixon-Hanson Company as a book canvasser and it is said that he was later discharged by that firm for drunkenness and dishonesty. Kremkau's description is: 28 years of age, 5 feet 7 inches tall, weighs 170 lbs., heavy build, light complexion, blue eyes, light hair, smooth shaven; when last seen he wore a blue suit and a gray overcoat.

A warrant has been issued in Claremore, Okla., for the arrest of Steve Smith, who forged the endorsements to a number of pay checks, which he obtained by fraud. Smith was employed as engine tender for a construction company near Claremore, and it was the checks of this concern to which he forged the endorsements. Smith is described as 50 years of age, 5 feet 8 inches tall, weighs 160 lbs., dark complexion, short black mustache, is blind in one eye.

One S. Young is drawing fraudulent checks on the Hanover National Bank of New York City. Some of these checks have recently been cashed by merchants in Long Island, N. Y.

Members are warned to be on the lookout for one Lloyd R. H. Light, who is issuing forged checks purporting to be signed by Mrs. Mary Kruger, which are drawn on a New York bank. Light is described as 33 years of age, 6 feet 1 inch tall, red hair (worn pompadour), slim build, carries left shoulder stiffly. Light occasionally goes under the name of Jancey Kruger, claiming that he is Mrs. Mary Kruger's nephew. A specimen of Light's handwriting appears below.

New York City 25.00
Twenty five See
100/100

circulated in New York City. Pfefer has no account at the bank in question. A specimen of Pfefer's handwriting appears below.

J Pfefer
Fifty 50.00
13 Rosansky

A warrant charging forgery has been sworn out against William Ford in Taunton, Mass. Ford, who resided until recently in Tainton, is said to be a blacksmith, 35 years of age, 5 feet 6 or 7 inches tall, weighs 135 or 140 lbs., medium build, dark eyes, dark complexion, smooth shaven, quiet manner. A sample of Ford's handwriting is reproduced below.

Beara 15.500/10
Fifteen Mary
A Walker

Fred Blumbar, alias Chas. Anderson, alias Chas. Morris, alias Louis Levis, of Springdale, Ark., has disappeared from that city after forging the signature of a depositor to a check drawn on a Springdale bank. Blumbar is 30 to 32 years of age, 5 feet 10 inches tall, slender build, fair complexion, light hair, blue eyes. He was formerly employed by a concrete culvert construction company.

Because of the cashing of a number of forged checks drawn on a Salem, W. Va., bank, a warrant has been sworn out against Lewis B. Price, alias "Bud" Price, alias J. Wymer, alias H. Howard, a resident of Salem, who has disappeared from that city. Price is 28 to 30 years of age, 5 feet 9 inches tall, weighs 145 lbs., fair complexion, brown hair, dark eyes, smooth shaven, thin face, low forehead, slightly roman nose, long slender fingers, usually dresses in dark clothes. His occupation is that of clerk; he is an amateur musician possessing considerable talent.

C. H. McKee, who formerly conducted a hotel in Chappell, Neb., is drawing bogus checks on the Commercial National Bank of Chappell.

Checks signed J. Pfefer and drawn on the National Bank of Commerce, Kansas City, Mo., are being

C. C. Peck is wanted in Yates Centre, Kan., on the charge of obtaining money under false pretenses, in connection with the cashing of worthless promissory notes. Up to a short time ago Peck was engaged in farming about ten miles from Yates Centre. It is said that he was at one time a restaurant owner. Peck is described as 30 years of age, 5 feet 6 inches tall, weighs 130 lbs., medium complexion, brown hair, brown eyes, good dresser. A specimen of his handwriting is reproduced herewith.

Twenty 20.00
Half Peck. Dec
70 date One

INCLUDING BULLETIN OF THE AMERICAN INSTITUTE OF BANKING.

We have been requested to publish a list of the following securities which have been stolen:

Five shares of stock of the Cecil Lumber Company, No. 20, in the name of E. M. Showers.

Twenty-eight shares of stock of the U. S. Stamping Company, in the name of A. M. Schenk.

Four shares of stock of the Wheeling Mold & Foundry Company, No. 914 S., in the name of M. Baird.

Ninety shares of stock of the Lackawanna Steel Company, Nos. 421, 422, 423 and 424, in the name of F. DuP. Thompson.

Two shares of the preferred stock of the United States Steel Corporation, in the name of H. H. Morgan. Certificates Nos. S. 1533 and S. 11101.

Seventy-six hundred and twenty shares of stock of the United Mines Company, Crede, Nos. 609, 557, 139 and 142, in the name of H. H. Morgan.

Forty shares of Common stock of the Mountain State Electric Company, in the name of H. F. B. McLain.

Ten shares of Preferred stock of the Mountain State Electric Company, in the name of H. F. B. McLain.

One Bond of the South Eastern Railway Company, No. 570, in the name of W. H. Frank.

Ten shares of stock of the Security Trust Company, No. 114, in the name of W. H. Frank.

Thirty-three shares of stock of the Wheeling Mold and Foundry Company, No. 941, in the name of F. DuP. Thompson.

One hundred shares of stock of the United States Glass Company, in the name of J. D. Sands.

One hundred shares of stock of the Whitaker-Glessner Company, No. 72, in the name of Alex Glass.

Five shares of stock of the Cleveland Life Insurance Company, No. 45, in the name of R. B. McLain.

Sixty shares of stock of the Elm Grove Coal Company, in the name of W. R. Chambers.

Thirty-one shares of stock of the Wheeling Mold and Foundry Company, Nos. 898, 1,053, 1,054 and 1,195.

Fifty shares of stock of the Hazel-Atlas Glass Company, No. 529, in the name of C. N. Brady.

Fifty-two shares of stock of the LaBelle Iron Company, in the name of A. S. List.

Thirty shares of stock of the Imperial Glass Company, No. 429, in the name of J. J. Jones.

Thirty-four shares of stock of the Wheeling Mold and Foundry Company, in the name of H. S. Bradley and C. E. Blue.

Should any of the above-described securities come into the possession of the readers of the Journal it is requested that the Protective Department be notified immediately.

On January 15, 1911, the local police of Hot Springs, Arkansas, arrested Charles H. Everett, a swindler. After his arrest Everett was identified as the person who has operated against banks in the Northwest under the names of Hugh H. Waldron, Robert Newell, Adolph Steiner, R. R. Roulle, George W. Norghton, J. J. Wallery, Philip Cook, Roy R. Thorpe, W. F. Gadd and other aliases, as reported on page 210 (first column) of the October, 1910, Journal, and page 409 (second column) of the January, 1911, Journal. Everett has been returned to Seattle, Wash., for trial on the charge of defrauding a bank (M) in that city with a forged Cashier's draft drawn on the Miners & Merchants Bank, of Ketchikan, Alaska.

Page 214 (second column) of the October, 1910, Journal, and page 345 of the December, 1910, Journal, respectively, contain a description and photograph of William L. Moore, alias William G. Kennedy. Moore was arrested by the local police of Savannah, Ga., on January 22d, 1911, and has been returned to Boston, Mass., where he will be tried for polygamy and for forgery. Steps have been taken by the Protective Department to have Moore turned over later to the authorities of Troy, N. Y., for defrauding a bank (M) in that city with a worthless check.

On January 13, 1911, the Protective Department received a telephonic communication from a bank (M) in Buffalo, N. Y., requesting that we cause the arrest of Herbert Bruen of New York City, for whom the Buffalo police held a warrant for forgery. The case was turned over to our detective agents, the William J. Burns National Detective Agency, who co-operated with the local police and caused the arrest of Bruen in New York City the same evening. Bruen, who has since been returned to Buffalo for trial, is described as a laborer, 23 years of age, 5 feet 5 inches tall, weighs 135 pounds, stocky build, light sandy hair, smooth shaven.

On the night of December 21, 1910, entrance was gained to the offices of a Gillette, Wyo., bank (M). The intruder rifled the drawers, and left without obtaining anything of value. Suspicion rested on one of the local characters, named Edward Russell. He was arrested the following day by Deputy Marshal J. E. Sullivan, and is now lodged in jail in Gillette, awaiting trial.

On January 17, 1911, a bank (M) in Shawnee, Okla., reported a forgery committed upon them by one A. F. Strange. Our detective agents, the William J. Burns National Detective Agency, traced Strange to Chicago, Ill., thence to Lamy, N. Mex., and finally to Trinidad, Colo., where an operative from the Burns Agency, co-operating with the local authorities, had Strange placed under arrest on January 22, 1911. Strange is a German, 30 years of age, 5 feet 8 inches tall, weighs about 160 pounds, light hair, blue eyes.

On January 9th, 1911, a report was received from a Hope, Ark., bank (M) that on December 20th, 1910, two forged checks had been cashed by that institution to which a depositor's signature had been forged. Our detective agents, the William J. Burns National Detective Agency, traced the forgeries to one H. F. Worley, 22 years of age, 5 feet 9 inches tall, weight 150 pounds, smooth shaven, dark hair. The Burns Agency traced Worley to Little Blue, Mo., where it was found he had assumed the name of Louis Cunningham and was employed at a stone quarry. The representative from the Burns Agency co-operated with the local authorities and Worley was placed under arrest in Little Blue on January 12th, 1911. Worley has since been returned to Hope, Ark., for trial. In their investigation of this case the Burns Agency worked in the interests of both the American Bankers Association and the Arkansas Bankers' Association.

On page 408 of the January, 1911, Journal, we published a photograph and description of one G. R. Jones, a bogus check operator. Our detective agents, the William J. Burns National Detective Agency, have been actively at work trying to locate Jones because a Los Angeles bank (M) suffered a loss through cashing one of his worthless checks on November 19, 1910. The Burns Agency traced Jones to Evansville, Ind., where, with the helpful co-operation of the local police, they were successful in bringing about this swindler's arrest on January 20, 1911. Jones has since been returned to Los Angeles for trial. The Burns Agency conducted this investigation in the interests of the American Bankers Association and the California Bankers' Association.

On January 13, 1911, the local police of Detroit, Mich., placed under arrest James D. Williams, on the complaint of a Detroit, Mich., bank (M) which was defrauded by Williams, who is described as a Promoter, 38 years of age, 6 feet 2 1/4 inches tall, weighs 180 pounds, slim build, dark chestnut hair, smooth shaven, blue eyes. Because of certain technical features which made it impossible to successfully prosecute Williams he was released from custody on January 20th.

The January, 1911, Journal, on page 407 (second column) contains an article relating to Antonio Tapia, who defrauded a San Francisco bank (M). On January 6th, Tapia committed a forgery in Stockton, Cal., but before he could leave town he was apprehended by the local police and is now being held in custody in that city. Tapia will be returned later to San Francisco to stand trial there.

Page 308, of the November, 1910, Journal, contains a photograph of A. D. Smith, Jr., alias C. H. Adams, who perpetrated a forgery upon a Waurika, Okla., bank (M). On January 9, 1911, Smith was arrested by the local police of Chicago for a swindle perpetrated in Beloit, Kans., and has been returned to the latter city for trial. Arrangements are being made to have him later brought to trial in Waurika, Okla.

On page 88 (first column) of the August, 1910, Journal, we published an article concerning Leo Fuerst, a deserter from the United States Army, who forged the signature of a depositor to a number of checks whereby an Atlanta, Ga., bank (M) was defrauded. On January 5, 1911, Fuerst, penniless, and discouraged, gave himself up in New York City and was turned over to the authorities at Governors Island, N. Y., where he is now being held to answer to the charge of desertion. The Protective Department is arranging to have Fuerst ultimately returned to Atlanta, Ga., on the forgery charge.

In the January, 1911, Journal, on page 407 (first column) will be found an article relating to one Ingram Hughes, who, on October 14, 1910, swindled a San Diego, Cal., bank (M) by means of a worthless draft drawn on a Seattle, Wash., bank. A report of the fraud was received from the San Diego bank in question on December 7, 1910, and our detective agents, the William J. Burns National Detective Agency, immediately instituted a search for Hughes. The Burns Agency succeeded in tracing him to Seattle and later to San Francisco, where their San Francisco office co-operated with the local police caused the arrest of Hughes in that city on January 5, 1911. Hughes has been returned to San Diego for trial. The Burns Agency conducted this investigation in the interests of both the American Bankers Association and the California Bankers' Association.



L. M. HUNTER.

The above is a photograph of L. M. Hunter, who was taken into custody, on December 27, 1910, by the local police of Havre De Grace, Md., at the request of the Charlotte, N. C., authorities, Hunter having defrauded a Charlotte, N. C., bank (M) by means of a worthless check. Hunter, who has operated in a number of places in the South, fraudulently claimed to represent the Alliance Tool Company, of Alliance, Ohio. He would make the acquaintance of real estate dealers and prominent business men to whom he would make the representation he was seeking a site on which to construct a branch establishment of the Alliance Tool Company. His next move would be to secure an introduction at one of the local banks, and there secure the cash on a bogus check for seventy-five or one hundred dollars. After cashing this check Hunter would promptly leave town. He is described as 35 years of age, 5 feet 10 inches tall, weighs 175 pounds, smooth shaven florid complexion. Hunter's occupation is that of bookkeeper. Hunter now awaits trial in Charlotte, N. C. The Beaver Falls, Pa., authorities also hold a warrant for his arrest for defrauding a bank (M) in that city.

On January 3, 1911, the local police of Indianapolis, Ind., arrested F. Von Gordon, alias Fritz Von Scofield, for a jewelry theft committed in that city. This party has been identified as the person who, on December 5, 1910, defrauded a St. Louis, Mo., bank (M). Von Gordon has been returned to St. Louis for trial. This is doubtless the same person whose operations are reported on page 406 (second column) of the January, 1911, Journal, under the name of Lord M. Scofield.

On December 28, 1910, the local police of Cheyenne, Wyo., arrested R. C. Merrifield, and turned him over to the authorities of Fort Collins, Colo., where Merrifield defrauded four banks (Ms) by means of forged notes. Merrifield, who has been a resident of Fort Collins, Colo., for a number of years, where he has been engaged in raising sugar beets, is described as 47 years of age, 5 feet 6 inches tall, weighs 140 pounds, slight build, reddish complexion, sandy hair, blue eyes. He now awaits trial in Fort Collins, Colo.

Page 215 (second column) of the October, 1910, Journal, contains an article concerning the issuance of a warrant for the arrest of George A. Holmes,

alias George A. Leffell. This warrant was later withdrawn. Subsequently, however, Holmes renewed operations, and on December 13, 1910, a report was received by the Protection Department, from a Kansas City, Mo., bank (M) that Holmes had defrauded that institution with a forged check. Our detective agents, the William J. Burns National Detective Agency, developed evidence tending to show that Holmes had evidently departed for Dallas, Tex., after committing the forgery. This information was transmitted by the Burns Agency to the police authorities of Dallas and, as a result, Holmes was apprehended in that city on December 28, 1910. He was taken back to Kansas City and on January 4, 1911, received a sentence of five years in the Missouri State Penitentiary. Judge Ralph S. Letshaw, in passing sentence upon Holmes, said to him: "You are of no use to yourself nor anybody else. You belong in the 'only son' colony at Jefferson City. The only happy day your mother will know will be the day she returns from your funeral; then—and not until then—will she know she has nothing more to worry about on your account."

Pat Powers has been released from custody in connection with a hold-up perpetrated upon a Highland, Cal., bank (M). When Powers was brought to trial the identifying witnesses were unable to positively state that they had seen Powers at the scene of the crime. He was therefore released. Power's arrest was reported on page 307 (second column) of the November, 1910, Journal.

A. E. Webb, alias Bert Kaiser, has been sentenced to serve an indeterminate sentence of one to fifteen years in the Ohio State Penitentiary. A detainer has been lodged against him so that he will be later returned to New York for trial on the charge of issuing worthless checks drawn on a New York bank (M). Webb's arrest was reported on page 542 of the June, 1910, Journal.

Antonio Grecia received a suspended sentence in connection with a forgery perpetrated upon a Pittsburgh, Pa., bank (M). Grecia's arrest was reported in the November, 1910, Journal, on page 307 (first column).

L. D. Adams was released from custody in connection with the perpetration of a forgery upon an Atlanta, Ga., bank (M). A report of Adam's arrest appeared in the December, 1910, Journal, on page 347 (first column).

Jos. Gardner has been released from custody in connection with the passing of a bogus check on a Seattle, Wash., bank (M). Gardner's arrest was reported in the December, 1910, Journal, on page 347 (first column).

Chas. A. Scheffler has been given a sentence of four months in the New York City Penitentiary for a forgery committed on a Brooklyn, N. Y., bank (M). His arrest was reported in the January, 1911, Journal, on page 405 (first column).

H. B. Clarke has been sentenced to twenty months, and Edw. J. LaPlante to eighteen months, in the territorial prison at Florence, Ariz., for defrauding a Mesa City, Ariz., bank (M) with a worthless check. The arrest of these parties was published on page 405 (first column) of the January, 1911, Journal.

Custer Gallagher has been given an indeterminate sentence of six to fifteen years in the Missouri State Penitentiary for complicity in the burglary of a Ford, Kans., bank (M). His arrest was reported on page 89 (first column) of the August, 1910, Journal.

E. P. Lambert, a bogus check operator, who was arrested with Miss Philip (Phyllis) Roberts,

for defrauding a Los Angeles bank (M) with a forged check, has been released from custody. Miss Roberts still awaits trial in Los Angeles. The arrest of these persons was reported on page 306 (first column) of the November, 1910, Journal.

E. E. Brock has been released from custody in connection with the passing of a worthless check on a Kansas City, Mo., bank (M). A notice of Brock's arrest was published on page 304 (first column) of the November, 1910, Journal.

Alvin C. Hamer was given a suspended sentence in connection with the passing of a forged check on a Los Angeles bank (M). The arrest of this person was reported in the November, 1910, Journal, on page 305 (second column).

David J. Simon received a sentence of four years in prison for a forgery committed on a Washington, D. C., bank (M). The notice of Simon's arrest was published in the July, 1910, Journal, on page 17 (second column).

Samuel Thompson was released from custody in connection with the attempt to pass a forged check on an Atlanta, Ga., bank (M). The arrest of Thompson was reported on page 208 (second column) of the October, 1910, Journal.

Baldomero Menendez, alias Samuel Alvarez, received an indeterminate sentence of three years and nine months to nine years and nine months in Sing Sing Prison for attempting to cash in New York City forged drafts aggregating more than half a million dollars. The arrest of Menendez was reported on page 205 (second column) of the October, 1910, Journal.

Lewis Eaton, Jr., pleaded guilty to the charge of committing a forgery upon a Buffalo, N. Y., bank (M). He has been released on suspended sentence. The notice of Eaton's arrest was published in the July, 1910, Journal (second column) on page 13.

Howard L. Coombs has been sentenced to serve an indeterminate sentence of six to fourteen years in the Michigan State Penitentiary in connection with the issuance of a bogus check in Muskegon, Mich. Coombs also defrauded a Nashville, Tenn., bank (M) with a worthless check. His arrest was reported on page 158 (second column) of the September, 1910, Journal.

Friends and relatives of J. C. Evans interceded in his behalf when he was brought to trial in Worcester, Mass., for passing a forged check on a bank (M) in that city, and the Judge was inclined to deal leniently with him upon his promise to lead an exemplary life in future. Evans was therefore released from custody. The notice of his arrest was published in the October, 1910, Journal, on page 212 (first column).

Seymour Adams has been sentenced to pay a fine and to serve six months in the Morris County, N. J., Jail for defrauding a Netcong, N. J., bank (M) with a bogus check. The arrest of this person was reported on page 87 (first column) of the August, 1910, Journal.

Frank Alexander was released on bail in connection with the forgery of a check drawn on an Atlanta, Ga., bank (M). Alexander has since forfeited his bond and is now a fugitive from justice. Alexander's arrest was reported on page 205 (first column) of the October, 1910, Journal.

Giles Billington has been released from custody in connection with a forgery perpetrated upon a Long Branch, N. J., bank (M). The notice of Billington's arrest appeared in the September, 1910, Journal, on page 156 (first column).

D. L. Cawley was indicted for passing a worthless check on an Atlanta, Ga., bank (M). He was later adjudged insane and has since been committed to the State Insane Asylum at Milledgeville, Ga. Cawley's arrest was reported on page 156 (second column) of the September, 1910, Journal.

Harry E. Cornell, who was arrested for the attempted hold-up of a Fond-du-Lac, Wis., bank (M), has been released on suspended sentence. Cornell's arrest was reported on page 154 (first column) of the September, 1910, Journal.

Thomas W. Passmore has been released on habeas corpus in connection with a forgery perpetrated on a Miles City, Mont., bank (M), it being the contention of the Court that too great a period had elapsed between the commission of the forgery and the date of the arrest to permit of a successful prosecution of the case. Passmore's arrest was reported on page 89 (second column) of the August, 1910, Journal.

This Department is in receipt of information to the effect that a young man 28 to 30 years of age, about 5 feet 7 inches in height, medium build, light complexion, smooth face, forehead broad and prominent, quietly dressed, has been passing forged checks drawn on a bank in New York City, purporting to be drawn by Morley Brothers of Saginaw, Michigan, on voucher form.

Page 344 (first column) of the December, 1910, Journal, and page 405 (first column) of the January, 1911, Journal, contain an account of the operations of one A. W. McClellan. Our detective agents, the William J. Burns National Detective Agency, have for the past four months been in active pursuit of this dangerous swindler, who has operated extensively against banks in the West with forged letters of credit of which the following is a sample:

FIRST NATIONAL BANK,
KING CITY, MISSOURI.

To Whom It May Concern:

This will serve to identify and recommend the bearer, Mr. A. W. McClellan, one of our

good customers, who is engaged in the live stock and farming business.

For sixty days from date we will honor all checks drawn up and signed to the amount of one thousand dollars (\$1,000). Parties or companies honoring checks mark same on the back of this letter.

(Signed) J. B. HARPER, President.
(Seal of Bank).

(Signed) A. W. McClellan.

The Burns Agency first obtained a trace of McClellan in Des Moines, Ia., where he was found to have used the name of J. W. Williams. McClellan next appeared in Davenport, Ia., and was later heard from in Clinton, Ia., and Chicago, Ill., where he continued to operate under the name of J. W. Williams. From Chicago McClellan started West until he reached Denver, where he presented a forged letter of credit in the name of G. W. Moran. He next appeared in Salt Lake City, still using the name of G. W. Moran, and several days later showed up in Oklahoma City, this time with a forged letter of credit in favor of H. W. Nelson. From Oklahoma City McClellan went to Bozeman, Mont., where he tendered a forged letter of credit in the name of L. C. Hill. Later he appeared in Spokane, Wash., where he secured funds on a forged letter of credit purporting to have been issued to C. L. Black. Leaving Spokane, McClellan went to Tacoma, Wash., operating in the latter city under the name of L. C. Randolph. This was on January 14th. After McClellan left Spokane the Burns Agency traced him to a hotel in Tacoma, but McClellan remained there for only one day. The Burns Agency, however, ascertained upon further investigation that McClellan had evidently left for Seattle where, it appeared, it was his intention to attempt to negotiate another one of his fraudulent letters of credit. The Burns Agency then scoured the city of Seattle and made thorough canvas of all of the hotels and rooming houses in that city. This resulted in McClellan being located by the Burns Agency at a Seattle hotel, where he was registered under a fictitious name, on January 16th, and that agency immediately caused McClellan's arrest. McClellan was then turned over to the Tacoma, Wash., authorities, where, on the following day, McClellan was brought to trial and convicted, receiving a sentence of seven to fifteen years in the Washington State Penitentiary at Walla Walla, Wash. Arrangements are now being made by the Protective Department to have the authorities of all of the cities in which McClellan operated lodge detainees against him, so that he may finally stand trial for all the offenses committed by him.

STATISTICS OF THE WORK OF THE PROTECTIVE DEPARTMENT.

AS REPORTED TO THE STANDING PROTECTIVE COMMITTEE.

From September 1, 1910, to January 31, 1911.

New York, February 1, 1911.

Criminals arrested, convicted, sentenced, awaiting trial, etc.

	Awaiting Trial Sept. 1, 1910.	Arrests from Sept. 1, 1910 to Dec. 31, 1910.	Arrests in January, 1911.	Total.	Convicted.	Released	Escaped or Fugitives.	Suicide or Died.	Awaiting Trial.
Forgers, etc.....	50	49	16	115	37	24	3	1	50
Burglars	5	1	6	12	2	2	1	1	1
Hold-up robbers ..	2	1	2	1	1	1	1	0	0
Sneak thieves ..	..	..	..	..	..	..	..	..	0
	57	49	17	123	40	27	4	1	51

FORGERS.

Dec. 28, Geo. A. Holmes, arrested in Dallas, Tex.; returned to Kansas City, Mo., for forging check on bank (M) there; Jan. 4, 1911, sentenced to five years in Missouri State Penitentiary.

Dec. 27, L. M. Hunter, arrested in Havre de Grace, Md.; returned to Charlotte, N. C., for defrauding Charlotte bank (M); awaits trial in Charlotte, N. C.

Dec. 28, R. C. Merrifield, arrested in Cheyenne, Wyo.; returned to Fort Collins, Colo., for defrauding Fort Collins banks (Ms) with forged notes; awaits trial in Fort Collins, Colo.

Jan. 13, Herbert Bruen, arrested in New York for issuing bogus checks in Buffalo, N. Y.; returned to Buffalo; awaits trial there.

Jan. 3, F. Von Gordon, arrested in Indianapolis, Ind., and returned to St. Louis, Mo., for defrauding St. Louis bank (M); awaits trial in St. Louis.

Jan. 15, Chas. H. Everett, arrested in Hot Springs, Ark.; has been identified as party wanted for forgeries committed on banks on the Pacific Coast; returned to Seattle for trial for defrauding Seattle bank (M); awaits trial in Seattle, Wash.

Jan. 22, Wm. L. Moore, arrested in Savannah, Ga., and returned to Boston, Mass., for trial; arrangements will be made to have him turned over to Troy, N. Y., authorities for defrauding Troy, N. Y., bank (M); awaits trial in Boston, Mass.

Jan. 22, A. F. Strange, arrested in Trinidad, Colo., for forgery perpetrated on Shawnee, Okla., bank (M); in custody at Trinidad awaiting extradition to Shawnee.

Jan. 16, A. W. McClellan, arrested in Seattle, Wash., and returned to Tacoma, Wash., for defrauding Tacoma bank (M); Jan. 17, given an indeterminate sentence of seven to fifteen years in Washington State Penitentiary.

Jan. 12, H. F. Worley, arrested at Little Blue, Mo.; returned to Hope, Ark., for forgery perpetrated upon Hope bank (M); awaits trial at Hope, Ark.

Jan. 20, G. R. Jones, arrested in Evansville, Ind.; returned to Los Angeles, Cal., for defrauding bank (M) there; held for trial in Los Angeles.

Jan. 13, Jas. D. Williams, arrested in Detroit, Mich., for victimizing Detroit bank (M); Jan. 20, released from custody because legal technicality prevented successful prosecution.

Jan. 6, Antonio Tapia, arrested in Stockton, Cal., for forgery perpetrated there; awaits trial in Stockton; will later be returned to San Francisco, Cal., for defrauding bank (M) there.

Jan. 9, A. D. Smith, Jr., arrested in Chicago, Ill., for forgery committed in Beloit, Kans.; returned to latter city for trial; will later be brought to trial in Waurika, Okla., for defrauding Waurika bank (M).

Jan. 5, Leo Fuerst surrendered himself in New York as a deserter from U. S. Army; will later be turned over to Atlanta, Ga., authorities for forgery perpetrated upon Atlanta bank (M); now awaits trial at Governor's Island, N. Y.

Jan. 5, Ingram Hughes, arrested in San Francisco for defrauding San Diego, Cal., bank (M); returned to San Diego; awaits trial there; arrest reported in June, 1910, Journal.

A. E. Webb, alias Bert Kaiser, sentenced to indeterminate sentence of one to fifteen years in Ohio State Penitentiary; detainer has been lodged so that he will be later tried for issuing worthless checks on New York bank (M); arrest reported in June, 1910, Journal.

Antonio Grecia given a suspended sentence for forgery committed on Pittsburg, Pa., bank (M); arrest reported in Nov., 1910, Journal.

L. D. Adams was released from custody for forgery committed on Atlanta, Ga., bank (M); arrest reported in Dec., 1910, Journal.

Jos. Gardner was released from custody in connection with bogus check cashed by Seattle, Wash., bank (M); arrest reported in Dec., 1910, Journal.

Chas. A. Scheffier received sentence of four months in New York City Penitentiary for forgery perpetrated upon Brooklyn, N. Y., bank (M); arrest reported in Jan., 1911, Journal.

H. B. Clarke given twenty months and Edw. J. LaPlante eighteen months in Arizona territorial prison for passing bogus check on Mesa City, Ariz., bank (M); arrest reported in Jan., 1911, Journal.

E. P. Lambert, arrested in connection with forgery committed upon Los Angeles, Cal., bank (M); released from custody; his accomplice, Miss Phillip (Phyllis) Roberts, still awaits trial in Los Angeles, Cal., arrests reported in Nov., 1910, Journal.

Alvin C. Hamer given a suspended sentence in connection with passing forged check on Los Angeles bank (M); arrest reported in Nov., 1910, Journal.

E. E. Brock released from custody in connection with bogus check cashed by Kansas City, Mo., bank (M); arrest reported in Nov., 1910, Journal.

David J. Simon given sentence of four years for forgery perpetrated on Washington, D. C., bank (M); arrest reported in July, 1910, Journal.

Samuel Thompson was released from custody in connection with a forgery committed on an Atlanta, Ga., bank (M); arrest reported in Oct., 1910, Journal.

Baldomero Menendez given indeterminate sentence of three years and nine months to nine years and nine months for attempting to cash forged drafts for over \$500,000 in New York; arrest reported in Oct., 1910, Journal.

Lewis Eaton, Jr., released on suspended sentence in connection with forgery committed on Buffalo, N. Y., bank (M); arrest reported in July, 1910, Journal.

Howard L. Coombs given indeterminate sentence of six to fourteen years in the Michigan State Penitentiary, for passing bogus check in Muskegon, Mich.; detainer has been lodged for forgery perpetrated on Nashville, Tenn., bank (M); arrest reported in Sept., 1910, Journal.

J. C. Evans released from custody in connection with forgery committed on Worcester, Mass., bank (M); arrest reported in Oct., 1910, Journal.

Seymour Adams sentenced to pay a fine and to serve six months for passing bogus check on Netcong, N. J., bank (M); arrest reported in Aug., 1910, Journal.

Frank Alexander released on bail; forfeited bond; is now fugitive from justice on charge of forging check on Atlanta, Ga., bank (M); arrest reported in Oct., 1910, Journal.

Giles Billington released from custody in connection with forgery perpetrated on Long Branch, N. J., bank (M); arrest reported in Sept., 1910, Journal.

D. L. Cawley found guilty of defrauding Atlanta, Ga., bank (M); later adjudged insane; now incarcerated in State Insane Asylum, Milledgeville, Ga.

Thos. W. Passmore released from custody in connection with forgery committed on Miles City, Mont., bank (M). Court contended too great a period had elapsed between commission of forgery and arrest to permit of successful prosecution. Arrest reported in Aug., 1910, Journal.

BURGLARS.

Dec. 22, Edward Russell arrested for breaking into bank (M) at Gillette, Wyo., and rifling desks; awaits trial in Gillette.

Custer Gallagher given sentence of six to fifteen years in Missouri State Penitentiary for participating in burglary of Ford, Kans., bank (M); arrest reported in Aug., 1910, Journal.

HOLD-UP ROBBERS.

Pat Powers released from custody in connection with hold-up committed on Highland, Cal., bank (M); arrest reported in Nov., 1910, Journal.

Harry E. Cornell released on suspended sentence in connection with attempted hold-up of Fond-du-Lac, Wis., bank (M); arrest reported in Sept., 1910, Journal.

CRIMINALS AWAITING TRIAL, FEBRUARY 1, 1911.

FORGERS.

Eug. C. Brockaw	Chicago, Ill.
Irving G. Crocker	Chicago, Ill.
W. R. Davies	Marshall, Tex.
S. M. Griggs	San Francisco, Cal.
Wm. J. Jones	Claremore, Okla.
Samuel H. Keeler	Cincinnati, O.
Floyd Koon	Chicago, Ill.
S. B. Adams	Bristol Va.
W. J. Williams	Richland, Ga.
Phyllis Roberts	Los Angeles, Cal.
Roger Stephens	Booneville, Ind.
Bert. E. Shaughnessy	Billings, Mont.
Frank Sanford	Seattle, Wash.
A. F. Bushnell	Salt Lake City, Utah.
Walter Johnson	Morris, Okla.
Harry E. Campbell	Columbus, O.
S. H. Gray	Athens, Tenn.
Ollie Hilliards	West Newton, Pa.
Hume H. West	Baltimore, Md.
Waverly A. Leigh	Emporia, Va.
Chas. M. Meeker	New York City.
R. L. Peebles	Birmingham, Ala.
Chas. Troxall	Burlington, N. J.
John C. Walsh	Brooklyn, N. Y.
Walter E. Neal	Scottsburg, Ind.
J. W. Sharick	Scottsburg, Ind.
S. Blum	Cleveland, O.

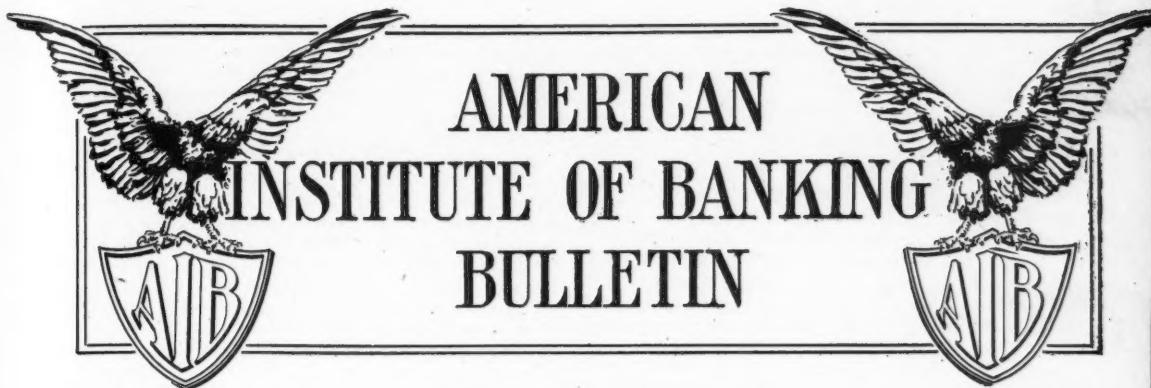
A. W. Euard	Pueblo, Colo.
Lou Evans	Montgomery, Ala.
S. B. Gray	Greenville, Tex.
Lon Baker	Temple, Tex.
A. E. Jacobus	Detroit, Mich.
Edw. F. Duffy	Newark, N. J.
Harvey Bousson	Ellensburg, Wash.
Howard C. Stanley	New York City.
Earl Samuel	Nashville, Tenn.
Wm. M. Byrd	Joplin, Mo.
L. M. Hunter	Charlotte, N. C.
R. C. Merrifield	Fort Collins, Colo.
Herbert Bruen	Buffalo, N. Y.
F. Von Gordon	St. Louis, Mo.
Chas. H. Everett	Seattle, Wash.
Wm. L. Moore	Boston, Mass.
A. F. Strange	Trinidad, Colo.
H. F. Worley	Hope, Ark.
G. R. Jones	Los Angeles, Cal.
Antonio Tapia	Stockton, Cal.
A. D. Smith, Jr.	Beloit, Kans.
Leo Fuerst	Governor's Island, N. Y.
Ingram Hughes	San Diego, Cal.

BURGLARS.

Edward Russell Gillette, Wyo.
Nebraska Bankers Association.

ATTACKS UPON MEMBERS FROM SEPTEMBER 1, 1910, TO JANUARY 31, 1911.

		Losses.	Total Losses.
Burglaries	.....	4	\$11,201.04
Attempted Burglaries	{ Professional. 6 }	11	.....
	{ Amateur. 5 }		.....
Hold-up Robberies	.....	1	3,200.00
			\$14,401.04



AMERICAN INSTITUTE OF BANKING BULLETIN

OFFICERS OF THE INSTITUTE.

RALPH H. MacMICHAEL, President, Pittsburg, Pa.	Mellon National Bank
LAWRENCE C. HUMES, Vice-President, Memphis, Tenn.	First National Bank
CHARLES H. MARSTON, Secretary, Boston, Mass.	National Shawmut Bank
RENNIE J. TAYLOR, Treasurer, Savannah, Ga.	Citizens' & Southern Bank
GEORGE E. ALLEN, Educational Director, New York City	Eleven Pine Street

INSTITUTE EXECUTIVE COUNCIL.

1911.

BRANDT C. DOWNEY, Chairman, Indianapolis, Ind.	Continental National Bank
RALPH H. MacMICHAEL, ex-officio, Pittsburg, Pa.	Mellon National Bank
LAWRENCE C. HUMES, ex-officio, Memphis, Tenn.	First National Bank
ALFRED M. BARRETT, Vice-Chairman, New York City.	Guardian Trust Company
E. A. HAVENS, Providence, R. I.	Mechanics' National Bank
A. WALLER MORTON, Chicago, Ill.	National City Bank

1912.

FRANK M. CERINI, Oakland, Cal.	Oakland Bank of Savings
WILLIAM S. EVANS, Philadelphia, Pa.	Rufus Waples, Bunker
E. C. PHINNEY, Minneapolis, Minn.	Northwestern National Bank
CARROLL PIERCE, Alexandria, Va.	Citizens' National Bank
F. L. UNDERWOOD, Chattanooga, Tenn.	Hamilton Trust & Savings Bank

1913.

GEORGE A. BROWN, Denver, Col.	Denver National Bank
HENRY J. MERGLER, Cincinnati, Ohio	Union Savings Bank
HERBERT H. OWENS, Baltimore, Md.	Farmers & Merchants' National Bank
HARRY F. PRATT, Cleveland, Ohio	First National Bank

STATE EDUCATIONAL WORK.

How the New York State Bankers Association Co-
operates with the American Institute of Banking in Organized Education—Proposed Section with Definite Objects and Methods—Studies in Banking Especially Adapted to Conditions and Laws in the Empire State—Program Arranged by a Committee on Education Composed of Educationists.

The New York State Bankers Association has taken up educational work in a practical and systematic way, which promises to be an object lesson in the relationship which ought to exist between all State associations and the American Institute of Banking. President Mott, of the New York State Bankers Association has appointed an educational committee consisting of Fred I. Kent, Vice-President of the Bankers Trust Company of New York City; Fred W. Hyde, Cashier of the National Chautauqua County Bank of Jamestown, and James H. Perkins,

Vice-President of the National Commercial Bank of Albany. These gentlemen are not only progressive bankers but men of ideas and experience in educational work. The committee thus appointed makes the following announcement:

Studies in Banking—Prize Examination Papers.

"IT IS THE INTENTION OF THE COMMITTEE ON EDUCATION TO RECOMMEND THAT THE AMERICAN INSTITUTE OF BANKING BE MADE A SECTION OF THE NEW YORK STATE BANKERS ASSOCIATION, AND THAT THE INSTITUTE BE ALLOWED ONE MEMBER ON THE EXECUTIVE COUNCIL OF THE ASSOCIATION. IT HAS BEEN COMPARATIVELY EASY TO INTEREST BANK MEN IN CITIES WHERE CHAPTERS OF THE AMERICAN INSTITUTE OF BANKING HAVE BEEN ORGANIZED TO UNDERTAKE WORK OF VALUE TO THEM AND THEIR INSTITUTIONS. IT HAS BEEN MORE DIFFICULT TO EXTEND THE FACILITIES OF THE INSTITUTE TO BANK MEN OUTSIDE OF SUCH CITIES. THE PROVED

VALUE OF THE WORK OF THE INSTITUTE IN THE CHAPTER CITIES MAKES ITS EXTENSION TO OTHER PARTS OF THE STATE MOST DESIRABLE.

"IN ORDER TO FOSTER THIS WORK AND INDUCE BANK MEN THROUGHOUT NEW YORK STATE TO TAKE THE STUDY COURSES AND EXAMINATIONS PROVIDED BY THE INSTITUTE, THE COMMITTEE ON EDUCATION OF THE NEW YORK STATE BANKERS ASSOCIATION IN CONJUNCTION WITH THE AMERICAN INSTITUTE OF BANKING, OFFER A PRIZE OF \$35 TO THE BANK MAN IN NEW YORK STATE WHO SHALL PASS THE INSTITUTE EXAMINATIONS WITH THE HIGHEST CREDIT, AND \$15 TO THE MAN WITH THE SECOND HIGHEST CREDIT.

"IN ORDER TO ADAPT THE INSTITUTE COURSE OF STUDY ON PRACTICAL BANKING TO THE PARTICULAR NEEDS OF BANKERS IN THE STATE OF NEW YORK, THE COMMITTEE ON EDUCATION HAS SUCCEEDED IN ARRANGING WITH THE INSTITUTE TO HAVE THE REGULAR COURSE EXTENDED TO INCLUDE ALL MATTERS PECULIAR TO NEW YORK THAT ARE COVERED BY OUR STATE LAWS AND BY THE SYSTEM AND RULINGS OF THE STATE BANKING DEPARTMENT. SUCH MATTERS WILL INCLUDE, FOR INSTANCE, THE DUTIES OF NEW YORK STATE BANKERS IN CONNECTION WITH INHERITANCES, TRANSFERS OF PROPERTY AND VARIOUS OTHER MATTERS OF VITAL IMPORTANCE ON WHICH BANKERS ARE COMPELLED TO RENDER DECISIONS ALMOST DAILY.

"THROUGH WORK ACCOMPLISHED IN THE AMERICAN INSTITUTE OF BANKING, IT HAS BEEN PROVED BEYOND QUESTION THAT BANKING INSTITUTIONS HAVE BEEN INDIVIDUALLY BENEFITED THROUGH EDUCATIONAL WORK UNDERTAKEN BY THOSE IN THEIR EMPLOY. BANKING SYSTEMS HAVE BEEN IMPROVED; GREATER INTEREST HAS BEEN DISPLAYED, AND A SPIRIT OF BETTER CONTENTMENT HAS EXISTED AMONG ALL OF THOSE WHO HAVE ACTUALLY UNDERTAKEN TO ACCOMPLISH SOMETHING THEMSELVES IN INSTITUTE WORK. IT IS NOT WHAT SOME OTHER MAN DOES, BUT WHAT EACH MAN DOES HIMSELF WHICH BRINGS ABOUT THE BEST RESULTS. ON THAT ACCOUNT IT IS THE DESIRE OF THE EDUCATIONAL COMMITTEE TO BRING EVERY MAN IN THE STATE, WHO CAN BE REACHED, INTO LINE AND HAVE HIM MAKE SOME REAL PERSONAL EFFORT TOWARD EDUCATING HIMSELF AND THUS RAISE THE LEVEL OF OUR INDIVIDUAL INSTITUTIONS AND OF NEW YORK STATE AS A WHOLE.

"WE WOULD RESPECTFULLY SUGGEST THAT THE BEST WORK CAN BE OBTAINED BY PLACING THE MATTER BEFORE YOUR EMPLOYEES AS ONE OF VITAL INTEREST TO YOUR BANK, WHICH YOU WISH THEM TO UNDERTAKE. BY THIS MEANS YOU WILL SUCCEED IN GETTING THE ATTENTION OF ALL, AND THE RESULTS OF THE WORK OF THOSE CONNECTED WITH THE AMERICAN INSTITUTE OF BANKING JUSTIFIES THE PREDICTION THAT

WHAT EACH MAN PERSONALLY ACCOMPLISHES WILL NOT ALONE PROVE TO BE A REAL PLEASURE TO HIM, BUT THAT IT WILL AS WELL BE OF VALUE TO BOTH HIMSELF AND THE BANK WHICH EMPLOYS HIM."

Prize Papers on Banking.

The Committee on Education of the New York State Bankers Association also makes the following announcement of a competition among bank men by means of a series of papers concerning matters of vital importance to the institutions by whom they are employed:

1. PAYING TELLER.—General system; methods of protection; things to be guarded against; treatment of customers. Illustrate by examples from personal experience.

2. RECEIVING TELLER.—General system; methods of protection; things to be guarded against; treatment of customers. Illustrate by examples from personal experience.

3. GENERAL BOOKKEEPING.—System; methods of computing statements and figuring reserves; checking of profits; valuing of accounts.

4. CHECKING OF CREDITS.—Many bankers in the smaller towns depend largely, if not entirely, on their personal knowledge of the men with whom they deal in determining credits. Some simple system, under which bankers could tabulate such information and establish lines of credit which could be safely acted upon in the absence of the regular officer, might be considered. Checking of commercial paper purchased.

5. LOANS AND DISCOUNTS.—System, including methods of figuring interest; supervision and checking of securities and total lines.

6. MESSENGER SERVICE.—Methods of checking items taken for collection out of and into the office; methods of presentation and collection at drawees' offices; duties as to presentation and acceptance of payments; risks involved and how to be avoided. Information obtainable of methods of drâves which might be of value to bank officers.

7. LOCAL BUSINESS.—The principal or a principal business in the city or town or surrounding neighborhood of the writer. Include history, growth of the business, nature, use and market for products and such special conditions in each industry or undertaking as might have academic value; statistics when possible and desirable at the end of the article. These may be referred to in the body of the paper as well.

The suggestions under each subject need not be followed exactly, as they are intended only to act as a guide to those interested, and they do not pretend to cover all points involved. It is not expected that methods covered in the papers shall necessarily be those prevailing in the institution of the writer. First and second prizes will be given to those turning in the best papers, as follows: First prize, \$10; second prize, \$5, for each of the seven subjects. The names of the winners, together with the banks with which they are connected, will be announced at the Group Meetings and the Annual Convention of the New York State Bankers Association, and the successful papers will be printed in the bulletin of the American Institute of Banking. All articles should be written on

one side of the paper only, and may consist of as many words as seem necessary to cover the subject properly. It should be borne in mind, however, that brevity, which does not sacrifice clearness, is greatly to be desired. The papers should be mailed to Wm. J. Henry, Secretary of the New York State Bankers Association, 11 Pine street, New York City, not later than May 1, 1911. An Examining Committee consisting of H. L. Crandall, Vice-President Bank of Long Island, Jamaica; Geo. E. Allen, Educational Director, American Institute of Banking; Thos. B. Paton, General Counsel for the American Bankers Association, will pass upon the papers and award the prizes. Should there be papers of unusual excellence, in addition to those which receive prizes, the writers will receive honorable mention. The judges will have their attention particularly called to the fact that original ideas, or original application of present methods which may be practicable and useful to bankers should entitle the writer to special consideration. Co-operation on the part of all the employees in each bank in the preparation of the articles should be particularly encouraged.

PEOPLE'S BANKS.

By Pierre Jay, Vice-President of the Bank of the Manhattan Company—Institutions in Europe Which Provide for the Masses Facilities for Both Saving and Borrowing—Effectiveness of Stimulating Thrift—Opportunities for Similar Institutions in the United States—Synopsis of an Address Before New York Chapter.

Only a few days ago the Russell Sage Foundation announced that it intended to establish throughout the country a series of associations to conduct the chattel and salary loan business, in the hope that these associations would mitigate the evils of the loan shark in the same way that the Provident Loan Society in this city and other similar organizations elsewhere have mitigated the evils of the pawn shop. For by this time it is well recognized by all that it is not merely our merchants and manufacturers who may legitimately borrow, but that at times many of their salaried employees have an equally legitimate need for loans. Arthur H. Ham, of the Russell Sage Foundation, in discussing the subject recently, said: "Until an adequate program is devised to bring about a logical relation between compensation and the cost of living, to teach the efficient use of income and to force wage-earners to provide for themselves against accident, illness, unemployment, or similar crises, there will be need for temporary financial relief in the contingencies inevitable under our present complex life in cities. Most States provide facilities for people who are able to make small savings, but there is a great need for agencies through which small loans may be obtained by the same class of people."

While I most heartily approve of the plan of the Russell Sage Foundation to provide some source from which those in need of small temporary loans may obtain accommodation at reasonable rates, I am going to describe to you very briefly the kind of organizations which do this work in the European countries because they seem to me to go much more to the root of the matter. These organizations are called the

people's banks. They recognize that borrowing for legitimate purposes is just as much a form of thrift as saving. The people's banks offer facilities for both saving and borrowing, and they constitute a medium through which those in a certain community who have money saved may put it at the disposition of others in the same community who need to borrow, in other words, they do in miniature the business of a commercial bank, but with the middleman or stockholder left out.

Underlying Principles.

As it is estimated that there are some 40,000 of these people's banks in operation in the European countries with over three million members and upwards of a billion dollars of resources, you will see that they form a financial power of no small importance. In order to give you a clear idea of their work, I must first explain the principles underlying their operation. The nearest analogy among our institutions is the building and loan associations organized on co-operative lines. Just as our building and loan associations vary in detail in the different States, so the co-operative credit associations vary in the different countries, according to local traditions and needs; and in some countries, especially in Germany and Italy, there is one kind of banks organized to meet urban conditions and another designed for operation in agricultural districts; but all are based on the idea that the man of industry and integrity is worthy of some credit, no matter how small his actual possessions may be. In the European countries, since the savings banks, both government and private, generally do not consider it their province, and since the large banks organized for profit are usually neither anxious nor able to determine the credit to which the wage-earners and the small producers and farmers are entitled, co-operative banks were evolved to ascertain and make effective the credit to which these great classes of the population are entitled. Personal credit, then, is the basis of their loans.

Safeguarding the Loans.

In order to make this personal credit safe, the associations must be purely local, restricted in their operation to small communities or to small subdivisions of large communities in which it is possible for the directors to ascertain the character of each applicant for membership, as none but the honest and industrious may be admitted.

Having, then, as the first step in making the credit safe, restricted the possible applicants for it to a carefully selected body of citizens, the next step, when a member applies for a loan is to require him to satisfy the credit committee that the money is needed for some object which promises to make for him either a profit or a saving. In this way the loans are confined within legitimate bounds, and borrowing, which is thriftless or which promises to leave the borrower the worse for having had the loan, is rigidly excluded.

The third step in making the personal credit safe, the credit committee having become satisfied as to the legitimacy of the loan, is to exact adequate security for it. This does not imply the possession by the borrower of pledgeable goods exceeding in value the amount of the loan, nor the assignment of wages. If he has not a sufficient amount to cover the loan, either in shares of the Association or on deposit with

it, he will be asked to furnish the surety of one or more other members.

With these three safeguards—first, a selected membership; second, a legitimate need for the loan; and third, the combined credit of two or three individuals—these associations, wherever they have remained strictly local in sphere of operation and co-operative in principle, have accumulated, or been able to command, vast sums of money which has been lent to their members in minute amounts, with losses which are incredibly small.

Outline of Organization.

The details of the organization, as a rule, are as follows: The par value of the shares is small, averaging about \$5.00, and they are payable either at once or in instalments as low as a few cents a week, so as to be available to the very poorest. But no member has more than one vote at meetings, no matter how many shares he owns. Women as well as men may become members. All questions rest ultimately upon the decision of the members at their general meeting, but for the daily management they elect three boards: (1) a board of directors, which administers the affairs of the association, selects its officers, and passes upon all applications for membership; (2) a board of credit, which passes upon all applications for loans; and (3) a board of supervision, which checks all the accounts and transactions of the association, and which may at any time suspend the directors, officers, or credit committee until the reason for the suspension can be brought before the members for their decision. Constant checking and complete publicity are the watchwords of these associations. Members who do not use the money borrowed in accordance with their representations to the credit committee, or whose transactions with the association are otherwise unsatisfactory, may be expelled.

Although in many of the foreign associations deposits are received from persons or corporations not members of the association, in all of them the rule is invariably followed to lend to members only. Preference is given to the smallest loans and repayment may be made by instalments.

At the end of the year, after setting aside a generous surplus fund, not only as a guarantee against losses, but with a view as well to reducing the rate charged for loans, a dividend is declared on the shares of the association. As the co-operative principle on which the associations are organized requires fair treatment for all, both borrowers and lenders, the rates of interest are kept low—averaging between 5 and 7 per cent. per annum—and the rates of dividend are correspondingly low, averaging from 4 to 6 per cent.

Relation of Members to Their Association.

One notable feature of these institutions is the relation which exists between the borrower and his association. Instead of being obliged to go to some bank or other lender with whom he is not acquainted and on whom he has no claim, he goes to his own bank with confidence that his reception will be friendly, and the last thing he would do would be to permit his own bank to suffer loss on his account. This relationship doubtless plays an important part in the almost complete absence of losses in those as-

sociations which adhere faithfully to the co-operative principle.

Effectiveness in Stimulating Thrift.

These associations constitute a medium through which honest workers may join together to reap the advantage of their thrift and integrity, and thus escape the extortions of those individual lenders in whose business the failure of unworthy borrowers to meet their obligations has to be averaged at the expense of the worthy borrowers. Their object is constructive; to enable borrowers to get onto a firm footing, which, as you well understand, is just the reverse of the destructive policy of the loan shark, who aims at getting his victim deeper and deeper into the mire.

Although a considerable majority of the members of the European associations are engaged in trade or agriculture on their own account, nevertheless credit associations in wage-earning communities flourish equally with those in communities composed of farmers and small producers. It is just as important, economically, for the wage-earner to make a saving as it is for the farmer or trader to make a profit, by being able to command cash at the proper moment.

But in enlarging upon their ability as loaners of money we should not lose sight of their effectiveness as savings banks. They reach out far beyond and below the clientele of the government and other savings banks, and gather up savings in the humblest amounts, all of which remain in the community in which they originate and are available for its development.

Moral Results Superior to Material.

Yet, remarkable as are the material results of these co-operative credit associations, in the opinion of many observers the moral results are even more important. The three following paragraphs are selected from a large number in the latest book upon the subject:

Mr. Wolff, the author, says: "We find a Prussian judge officially reporting that litigation, especially in respect of claims for debts, has very sensibly diminished in his district—thanks to the establishment of a co-operative bank. We hear a German priest confessing that the new village bank in his parish has done far more to raise the moral tone of his parishioners than all his ministrations. In Italy we have another parish priest, writing only a brief time after the setting up of the co-operative bank in his parish: "People go less to taverns now, and work more and better. Since only respectable folk are admitted as members of the association, we have seen habitual drunkards promise never to set foot again in a tavern—and keep their word. We have seen illiterate folk of fifty years and more learn to write, in order that they may be able to sign their application for a loan. Poor people excluded as being in receipt of parish relief have rigorously exerted themselves to have their names erased from the paupers' list, and instead of living on alms, we now see them living on their labor—thanks to the small capital lent to them by the association."

Leon Say, the political economist, writes: "All these wonders which I have seen are the wonders of private initiative and decentralization of credit, which is the dominating cause of all this progress in wealth."

Leon d'Andrimont, explaining the fruitful work which he accomplished in aid of the poorer classes in

Belgium, said: "Through the people's banks credit is democratized. Capital which was previously beyond the reach of workers has been brought close up to their doors."

Thus far, we have spoken only of the people's banks of Europe, but they have spread beyond the boundaries of Europe. In Egypt and India they are flourishing remarkably, while in 1901, the idea crossed the Atlantic and took root in Levis, a railroad town of 7,000 inhabitants, just opposite Quebec. At that time Levis appeared to be well supplied with banks. The postal savings bank and a branch of a Quebec savings bank were there to encourage savings, branches of three important discount banks were there to encourage trade, and, for the thrifless, three "loan sharks" provided the necessary funds. Today the People's Bank, organized by M. Alphonse Desjardins, has accumulated over \$80,000 from its 1,000 members, substantially all of which is lent to the members. In the nine years of its existence it has made over 3,000 loans, amounting to over \$400,000, at an average rate of 6½ per cent, and without a single cent of loss. The business of the postal and private savings banks and of the discount banks appears to be undisturbed, but the business of the "loan sharks" has vanished, and they themselves have sought more favorable fields.

Since the Province of Quebec passed a law in 1906 authorizing the establishment of those associations, the movement has spread rapidly throughout the length and breadth of the Province until there are now thirty-five people's banks, none of which has, so far, incurred a single cent of loss; and M. Desjardins writes that in the Levis bank, although some 3,000 loans have been made, only once has it been necessary to fall back on the endorser of the note.

The Field in the United States.

Have these associations any bearing on conditions and needs in our country? Our building and loan associations, with assets of well over seven hundred millions, flourishing everywhere, and in many states growing at a much faster rate than the savings banks, are evidence of our willingness and ability to co-operate in credit when the need and opportunity for co-operation is clear. The amazing growth of the Provident Loan Associations is conclusive evidence that in the large cities, at least, there is a general and constant demand for loans on the part of a class of people whom the banks and trust companies do not reach. The existence of private and corporate loaners of various kinds in many of the smaller communities is evidence that there also the demand for loans is not completely met by the banks.

In 1909 a law was passed in Massachusetts, the first in this country, authorizing the establishment of such associations. The first one to be established under it, the Myrick Credit Union, of Springfield, organized among the employees of the Myrick Publishing Company, has just finished its first half year and reports resources of \$1,700, most of which is loaned to its members.

At the legislative hearings preceding the passage of this law, the following fields were suggested as favorable for the formation of co-operative credit associations:

Towns or agricultural communities.

Wards of cities in which the population is rea-

sonably permanent and the neighborhood idea prevails.

Parishes or church organizations.

Labor or trade organizations.

Employees of a particular store or other business establishment.

Men and women of a particular foreign nationality, living in a certain city, town or district.

The Massachusetts law provides that the funds of the association may be either lent to members or deposited in savings or other banks. It was anticipated that if the demand for loans within the associations should not prove to be sufficient to absorb all their funds, the balance would be put in the savings banks, and that in this way they might become valuable feeders and collecting agencies for the savings banks.

While it would not be feasible to organize a single co-operative credit association for the city of New York, as it is proposed to organize loan associations for this and other cities, on the other hand, co-operative credit associations can be formed among small units and in small towns to which remedial loan associations would be unlikely to penetrate. In Massachusetts the law is just beginning to be understood, and three associations have been chartered, after having passed the rigid scrutiny of the banking department as to the character of their incorporators and their prospects of success. They happen to illustrate three of the important fields for the practice of co-operative credit. (1) the employees of a large publishing establishment in Springfield; (2) the members of a French-Canadian Catholic parish in Lynn; and (3) the Poles in the North End of Boston.

Criticisms.

The two criticisms of these associations which are apt to be made in this country, are, first: Is it good for the wage-earners to have opportunities to borrow? and, second, Can loans be safely made to them on personal credit? In the co-operative banks the first point considered is the legitimacy of the loans, and, the opportunity for improvident borrowing having thus been minimized, no ground remains for criticism on this score.

With regard to the safety of such loans the best proof is the record of the foreign associations, and the evidence brought out at the Massachusetts legislative hearings, that in several somewhat similar organizations of employees, trade unionists and others, operating without any of the safeguards of the foreign co-operative credit associations, the losses had proved to be remarkably few.

Conclusion.

In spite of the great undeveloped field which the United States offers for the practice of co-operative credit, it is difficult to predict with certainty whether the idea will take firm hold here, and if so, in what direction it will develop. While the Continent is honeycombed with co-operative credit associations, in England the idea has hardly obtained a foothold; though in Ireland it is progressing rapidly, with most beneficial results. The agricultural conditions of this country are so different from those of Continental Europe, and our farmers are so well served by the existing banks, that I am inclined to believe that with us, the field for co-operative credit associations will

be found among the wage and salary earners of commercial and manufacturing communities, and perhaps among our foreign-born citizens, many of whom doubtless are already familiar with the idea.

In conclusion, let me make it clear that the transactions of these associations are not based on sentiment, but on hard business judgment. Their loans are made because the borrower wishes to use the money for productive and thrifty purposes, and not because he has had a run of hard luck. They are business organizations through and through, and that is why they succeed. The reason they have proven educative and elevating forces in the thousands of communities in which they have sprung up, is because to belong to one of them is a badge of good citizenship, because they have stimulated thrift, and because they have rigidly taught the difference between good and bad borrowing.

ORGANIZATION OF BANKS

By Willis J. Fowler, Deputy Comptroller of the Currency—Bank Statistics in Billions—Legal Requirements in the Organization of a National Bank and the Conversion of State Banks into National Institutions—How Bank Promoters Work—Synopsis of an Address Before Washington Chapter.

The invitation to talk to you again on the subject of organization of banks I assume is due to the impression that there may have been material changes in the law or methods of organizing, or that the membership of your chapter has increased by the admission of those who are not thoroughly familiar with the course of procedure. At the time of having this duty under consideration there was placed on my desk a copy of a pamphlet entitled "Bank Organization," copyrighted by the American Institute of Banking. Therein I thought I might find suggestions that would be of aid in the premises. Upon examination, however, I discovered that the subject matter had been so thoroughly covered from a legal and departmental standpoint that the conclusion was reached that the pamphlet had been prepared as a text-book by one equally familiar with the subject, leaving little to be added. The work in question being at your command renders unnecessary much that I intended saying and in consequence I shall refer more generally to other matters more or less intimately related to the subject of organization of banks and which do not appear in the publication in question.

The law relating to the organization of national banks for the nearly half century during which the system has been in operation has remained unchanged except with respect to the minimum amount of capital stock. Prior to 1900 the minimum was \$50,000, but by the act of that year it was reduced to \$25,000.

Extent of Banking.

From 1863 to October 31, 1910, charters had been granted to 9,883 national banking associations, of which 4,619, or nearly one-half, were issued to associations organized during the last decade. By reason of voluntary liquidations and failures, the net increase in the number of banks from 1900 to the present time was 3,601, or from 3,617 to 7,218. During the same period, the capital of national banks increased from

\$616,300,000 to \$1,015,800,000, or 65 per cent., and circulating notes from \$254,400,000 to \$724,800,000, or nearly 185 per cent. In 1900, there were about 14,000 banks, national, state and private, in operation in the country, with capital of \$1,150,700,000, and deposits of \$7,689,000,000. The number of banks of all kinds in the country this year is stated to be in the neighborhood of 27,000, with capital of \$1,957,000,000 and deposits of \$15,859,000,000, the latter more than double and the former nearly double the amount at the beginning of the decade. Combining capital, surplus, deposits, and note issues of all the banks gives the aggregate banking power as \$21,050,000,000, an amount equaling approximately, one-sixth of the estimated aggregate wealth, real and personal, of the United States.

Notwithstanding the immensity of the domain of the United States, banking facilities are available in practically every community and are relatively, as well as actually, more numerous in the United Kingdom. In 1900 there was one bank to 5,400 inhabitants; in 1909 one to 3,934, and in 1910, one bank for every 3,400 inhabitants.

Sir R. H. Inglis Palgrave in his 1910 "Review of the Progress of Banking in Great Britain and Ireland," states that while there are only about 80 banks in the United Kingdom, the number of banking offices is 8,088, or one to 5,132 inhabitants. The relatively wider distribution of banking facilities in the United States is due in part to the establishment of independent banks, branches and branch offices being prohibited except to a limited extent and in a limited number of States.

In connection with the wealth and banking power of the country, it is interesting to note that during the past year the volume of business as represented by the exchanges of the clearing houses of the country aggregated the enormous sum of \$169,000,000,000, and that these transactions were settled by the use of only about 4 per cent. in money. These facts are of interest in connection with the subject at issue as well as indicating the marvelous growth of banking during the ten year period just closing.

Bank Promoters.

There is no doubt that in a large majority of cases banks, both national and state, are organized to meet an admitted demand for such an institution in the upbuilding of the business of a community. Occasionally the demand is due to the fact that there is an existing local bank having a monopoly of the business and charging exorbitant rates for loans, or unwittingly or otherwise, pursuing a course making for unpopularity with the business interests of the locality and surrounding community. Again there are occasions when a man or an association of men establish a bank for the sole purpose of exploitation of their own business, which may be of a character that other banks in the locality would not care to handle.

An ex-Secretary of the Treasury was recently quoted as saying that there were better returns, with less risk of loss on bank stock than on the stock of any other class of corporations. This is doubtless a fact, as the Department records show that only five per cent. of the aggregate number of national banks organized have failed, and that creditors sustained an average loss of less than 20 per cent. It further ap-

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pears that taken as a whole, shareholders of national banks have received during the past forty years dividends on their investments of approximately 9 per cent, annually. It is only necessary to examine the quotations for bank stock and note the excess of the price offered over book values to realize the high favor in which such investments are held.

This fact must have been realized and used as their strong card by the professional bank promoters who have been very active during the past few years.

The marvelous increase in wealth and business of the banks and the increase in the country's stock of money during the past ten years have necessarily been attended by an increase in the personal wealth. The average wealth of the country in 1900 was about \$1,100 per capita, and in 1910 estimated at nearly \$1,400. So in almost every hamlet may be found the requisite number of men able and willing to pay for five or more shares of bank stock, and in addition a commission from 3 to 5 per cent. or more, to promoters, who, by specious arguments, have made the shareholders believe that with their combined capital and a bank charter they were sure of comparatively rich returns. The work of these promoters, however, has not been confined to the cross-roads, but extended to thriving communities and even to the larger cities. As a rule, the sole object of the promoters is to secure the commissions, not the upbuilding of the banks and of the localities in which the organization of the banks is attempted.

So notoriously objectionable have been the methods of most of these promoters that the Federal and State banking authorities are working in harmony for their suppression or at least the nullification of their work. A limited number of national banks have been organized by promoters, some of which have been compelled to close by reason of lack of business, and others continue a bare existence with little prospect of any returns to shareholders.

The Comptroller makes it a point of ascertaining when it is proposed to organize a national bank, whether there is a promoter behind the movement, and if there is one, to advise the prospective shareholders that in his judgment the services of promoters are unnecessary and that the premium paid on the stock should be used in meeting expenses incident to organization and in the creation of a surplus fund. But few instances have been brought to the attention of the Comptroller where outside promotion was warranted, and those were in towns with sufficient business to require a bank, but opposing factions, neither with financial strength to accomplish their purpose, were induced to lay aside their personal animosities, unite their efforts and means, and thereby obtain what all desired, a bank that had been needed for years.

Legal Requirements.

As stated heretofore, the law relating to the methods of organization of national banks has not been changed since the date of its enactment in 1864. Section 5133 of the Revised Statutes provides in part that a national banking association may be organized by any number of persons, not less than five, and requires that the incorporators shall enter into articles of association, relating in general terms to the object for which the association is formed, a copy of the articles being required to be forwarded for preservation in the

office of the Comptroller of the Currency. Section 5134 provides for the execution of an organization certificate by those who have entered into articles of association. This certificate recites the corporate title, location, capital stock, and contains a list of shareholders, together with the residence and number of shares subscribed for by each shareholder. When this certificate has been acknowledged before a judge of court of record or notary public, and, with the articles of association, filed with the Comptroller, the association becomes a body corporate, but with powers limited to the transaction of business incidental to organization until such time as certificate authorizing the bank to begin business shall have been issued.

Supplementary to the execution and filing of the documents mentioned, the collection and certification of the payment of at least 50 per cent. of the authorized capital stock is required, together with a deposit of the specified amount of United States registered interest bearing bonds. Directors are presumed to have been appointed or elected simultaneously with or subsequent to the execution of the articles and organization certificate, and the oaths of the directors, together with the signatures of the officers appointed by the directors, transmitted to the Department. In connection with the payment of capital stock, it should be stated that every shareholder is required to pay in at least 50 per cent. of the par value of the shares standing in his name and to continue pro rata payments on the remaining installments. These installments must be certified in the proportion of at least 10 per cent. of the aggregate capital at the end of each month from the date of the issue of charter. Every director of a national bank is required to own ten shares of capital, unless the bank shall have a capital of but \$25,000, when the requirement is limited to five shares. The oath taken by a director of a national bank includes the statement that he is the owner in good faith and in his own right of the requisite number of shares and that the required number is not hypothecated or in any way pledged as security for any loan or debt. The oath further recites that so far as the duty devolves upon him the director will diligently and honestly administer the affairs of the association and will not knowingly violate or willingly permit to be violated any of the provisions of the National Bank Act.

As a final condition precedent to the issuance of charter, an examination is required for the purpose of determining the amount of money paid in on account of capital stock and whether all requirements of law in relation to organization have been met.

Under the law, the Comptroller has specific power to refuse to grant a charter to an association "whenever he has reason to suppose that the shareholders have formed the association for any other than the legitimate objects contemplated by the act."

As the bank act specifically confers upon the Comptroller discretion with respect to the approval of the corporate title selected for an association, the course of procedure under the established rules of the office is to require the submission of a formal application for authority to organize, wherein is stated the title desired, location, capital, advice in regard to business and financial standing of the applicants, number of shares to be subscribed for, and the previous banking experience, if any, of the applicants. Endorsements

are required relating to the standing and character of the applicants, the population of the place at which it is proposed to organize, together with an expression of opinion as to the prospects of success. Prior to the disposition of the case, a copy of the application is sent to the national bank examiner, to the member of Congress in whose district the bank is to be located, and also to the superintendent of the banking department for the State, with request for information regarding the character and financial standing of the signers, the necessity for banking facilities at the locality, and an expression of opinion as to whether success is probable.

Conversion of State Banks.

In addition to providing for the organization of national banks, the law authorizes the conversion into a national association of any bank incorporated by special law or any banking institution organized under a general law of any State. The preliminary proceeding in conversion is the submission of an application from the directors reciting the title of the State bank and that desired upon conversion, together with the amount of the paid in capital stock with which it is proposed to convert. If the capital of a State bank proposed to be converted is less than that required for a national bank of primary organization, it must necessarily be increased in conformity with the provisions of the banking laws of the State prior to the execution of papers providing for conversion. That is, upon conversion, the capital of the bank must be equal at least to the minimum amount required by the National Bank Act. Upon authority of the resolution or consent of shareholders representing at least two-thirds of the stock of the State bank, the directors are empowered to execute articles of association, organization certificate, and all other papers and to do whatever may be required to make its organization complete as a national association. Shares of stock of national banks of primary organization are required to be of \$100 par value each, but upon conversion of a State bank the shares may continue to be for the same amount each as they were before the conversion. In connection with the qualification of directors, it may be stated that the Department has held that the requirement with respect to stock holdings of directors makes eligible a director of a State bank upon conversion holding the required number of shares, regardless of their par value, that is, if a director owns five or ten shares of stock, as the case may be, of the par value of, say, \$10, he is eligible to continue to act as director of the bank upon conversion into a national banking association. The par value of shares of stock of State banks converted into national banks varies from a minimum in one case of \$1 per share to a maximum of \$1,000.

Applications for authority to convert receive the same careful consideration as applications to organize national banks anew, and practically the same course of procedure is followed as in the disposition of an application for primary organization. Special consideration, however, is given to information with respect to the standing of the State bank and its officers obtained from the superintendent of the State banking department of the State in which the bank is located, supplemented by report from the national bank examiner.

A State bank, the business of which has been conducted in conformity with State laws and has had a reasonable measure of success, the management being conservative and in conformity with the general principles of banking, is welcomed into the national system, but charters are not issued where these conditions do not exist.

The banking laws of one of the Western States have been construed by the Superintendent of the State Banking Department, supported by the opinion of the State Attorney General, as prohibiting a State bank from leaving the State system to become a national bank unless placed in voluntary liquidation. If such a contention were admitted, the conversion of banks in that State would be impossible, as conversion under the Federal banking law means a continuation of the identical body corporate but under a new title and governmental supervision. If liquidation were required to enable a State bank to enter the national banking system it would merely result in the organization of a new national banking association with the power in the organizers to acquire such of the assets of the State bank as might be acceptable and take over such liabilities as it cared to assume.

The Supreme Court of the United States held, however, that no authority other than that conferred by the act of Congress is necessary to enable any State bank to become a national banking association, and that upon the conversion of a State bank neither its identity nor corporate existence is destroyed nor is it discharged as a national bank from its liability to creditors.

While the law has been construed as recognizing the right of a State bank upon conversion to continue to hold all assets lawfully acquired, it is the general policy to require a State bank coming into the system to have its assets of satisfactory value and of the character authorized to be held by a national banking association. The laws of some of the States are more liberal than the National Bank Act with respect to investments, especially the amount of a loan which may be granted to a single interest, the security for loans and the reserve required. Generally speaking, however, where assets are held of a character contravening the provisions of the National Bank Act but acquired in conformity with the State banking laws, their continued holding may be permitted upon the assurance that they will be liquidated or disposed of otherwise within a reasonable and fixed period.

Essentials of Supervision.

Those who have kept in touch with banking conditions during the past half century have noted the widespread and disastrous results from the failure of one or more prominent banking institutions. Bank failures cannot be prevented, but may be reduced to the minimum by forceful and conservative action upon the part of Federal and State banking authorities in keeping out of the banking business those lacking the knowledge and ability to conduct a bank conservatively, the speculator, and those whose moral standing is such that they should not be trusted with the control and investment of the funds of the public. The control of organization and able supervision must necessarily result in an elevation of the standard of banking, both national and State. But no matter how

able may be governmental supervision, the success of a bank is measured by the supervision of its affairs on the part of its directors. As the Supreme Court of the United States has held, "it is the duty of directors to use diligence in ascertaining the condition of the business of the bank and to exercise reasonable control and supervision of its officers."

STUDIES IN MONEY.

By Professor Joseph French Johnson, Dean of New York University School of Commerce, Accounts and Finance—*What Money Is—Demand and Supply of Money—Credit and Its Uses—Rapidity and Velocity of Circulation—Money and Prices—Coinage and Metalisms—Syllabus of Lectures before Philadelphia Chapter.*

General definition of money.—Anything that is generally accepted as a medium of exchange or means of payment.

Since wealth is anything that has value, money is a form of wealth.

Money and capital are not synonymous. A country's capital is that part of its wealth which is devoted to the production of new forms of wealth. It consists of tools, machinery, railroads, factories, raw materials, etc. It is permissible to call money capital only when it is used in exchanges having in view the production of wealth.

Commodity and Fiat Money.

The world has had experience with two kinds of money, commodity money and fiat money.

When any substance is freely used as money so that the value of the coin is the same as the value of the metal out of which it is made, it is called commodity money. Most of the civilized countries of the world use commodity money, for they permit the free coinage of gold so that the value of gold coin varies with that of the bullion it contains. The supply of such money is limited naturally, for it depends upon the amount of gold that is mined.

When the supply of money is regulated artificially it is called fiat money. Its value is not the same as the value of the substance or material out of which it is made. If Congress should now suspend the free coinage of gold, the value of gold coin in this country would be independent of the value of gold. On account of the increase in population, etc., the value of our gold coins would gradually rise above the value of the bullion in them.

Money should not be confused with credit money. This latter is merely a form of credit which is universally acceptable within a country as a medium of exchange, and is therefore popularly regarded as money. It is, however, not money at all. In the United States the only real money in the country is gold. The people, however, use very little of it as a medium of exchange. They prefer credit money, such as greenbacks, silver certificates, treasury notes, gold certificates, silver dollars, silver certificates and bank notes.

The Value of Money.

The value of money, like the value of everything else, is determined by the law of demand and supply. It is revealed by general prices.

Price is the exchange relation of a thing to money.

The price of a thing, therefore, is simply the amount of money for which it will exchange.

"General prices" is a vague phrase. To give it definiteness economists have invented the "index number." The simplest form of an index number is an arithmetical average of the prices of a number of commodities.

It is important that an index number should be based on the prices of those commodities which play the largest part in the exchanges of the world. The "London Economist" derives an index number from the prices of 22 articles. Dr. Sauerbeck from the prices of 45 articles; Dr. Soetbeer from the prices of 114 articles; Dr. Falkner from the prices of 223 articles. (See U. S. Senate Committee Report on Wages and Prices, generally called the Aldrich Report.)

At the present time the Department of Commerce and Labor prepares an index number and publishes it once a year in the March Bulletin of Labor. It shows that the general level of prices between 1897 and 1909 rose about 45 per cent.

The value of money varies inversely with prices. To say that prices are rising is the same thing as to say that the value of money is falling.

The index number during a period of years shows the movement of prices. Its reciprocal shows the corresponding movement in the value of money.

Capital and money are not synonymous terms. When business men speak of the value of money they often mean thereby the rate of interest. This is determined by the demand for capital.

Money is sometimes spoken of as being a symbol of value or as universal purchasing power. These phrases are vague and confusing. Money is merely a convenient tool which satisfies certain wants of man, and has value on that account. It is not universal purchasing power any more than is wheat or cotton.

The unique quality of money is its immediate exchangeability. Of all things it is the most salable, for it is wanted in all markets. It possesses above all other things instantaneous or immediate purchasing power.

Demand for Money.

The demand for money.—The demand for a thing is due to its utilities; to its power to satisfy certain wants. This statement applies to money as strictly as to any other commodity.

The utilities of money, as ordinarily described, are fourfold: medium of exchange, store of value, denominator or measure of value, and standard of deferred payments. The demand for money has its origin in these four utilities or services.

To measure the demand for money in a certain community we must ascertain how many exchanges are made for cash, how much money is kept on hand for use in the future, especially in bank reserves as a basis for credit.

The use of money as a medium of exchange is the primary and important use. The other uses are incidental.

The service of money as a store of value has been unduly emphasized by economists. That service is performed by other things as well as by money. In times of peace and security men keep on hand only as much money as they expect to need from day to day as a tool of exchange. A man keeps it because of the

service it can perform, just as he carries a pencil, or knife, or watch. Strictly speaking, therefore, it is unscientific to attribute to money any peculiar utility as a store of value. As "stores of value" many other articles are preferred to money.

There are two reasons, however, why the service of money as a store of value may be emphasized: (1) the importance of bank reserves in the modern business world; (2) the hoarding of money in times of war and panic.

Its service as a standard or value-denominator does not add to the demand for money occasioned by its use as a medium of exchange.

Its service as a standard of deferred payments (i. e., its use in contracts calling for payments in the future) does not add to the demand for money occasioned by its use as a medium of exchange.

Only those exchanges in which money figures affect the demand for it. Credit and barter transactions must be considered apart.

The quantity of goods offered for sale is not a measure of the demand for money.

J. S. Mill, in affirming the contrary ("Political Economy," Book III, Chapter VIII, 2) confuses "demand" with "potential demand."

The demand for money is not infinite, nor even indefinitely great. It is limited and definite, like the demand for hammers, plows, or shoes.

The demand for money is not a demand for capital.

An increasing demand for money tends to cause prices to fall; but an increasing demand for capital, although having no direct connection with prices, is usually accompanied by rising prices.

Changes in prices—i. e., in the value of money—are the only conclusive evidence of changes in the demand for money.

Money is not the only medium of exchange. Exchanges are consummated by credit—i. e., promises to pay money—and sometimes by barter—i. e., without the intervention of any medium. The volume of exchanges performed by money, other things being equal, varies with the proportion performed by credit and barter.

Credit and Its Uses.

Inasmuch as credit promises, through the machinery of banks and clearing houses, are often cancelled one by another, their use lessens the need or demand for money. Hence these two identical propositions: (a) Credit lessens the value of money. (b) Credit causes prices to rise.

The relation between money and credit is not mysterious. The use of credit is a circumstance affecting the value of money just as the use of the automobile is a circumstance affecting the demand for horses.

The volume of exchanges remaining unchanged, therefore, the value of money will tend to fall or rise in proportion as the number of credit exchanges increases or diminishes.

Credit assumes numerous forms. The bank check is the most familiar, but the book account and the bank deposit are the most important.

Any form of credit that is universally acceptable, such as bank notes and government notes, is popularly known as money. It should be known as credit money.

It is estimated that over 80 per cent. of all the

business of this country is performed on credit. (See Report of Comptroller of the Currency for 1896 and recent Report to Monetary Commission by Kinley.)

The use of credit depends on confidence, on the habits of the people, and on the existence of credit machinery.

Generally speaking, the credit machinery of a country consists of its banks and clearing-houses. The establishment of a bank in a community tends to lower the value of money or to raise prices.

Any circumstance which creates distrust checks the use of credit, and so increases the demand for money, causing its value to rise, or, the same thing, causing prices to fall.

This law is forcibly illustrated by the fall of prices during a panic.

Rapidity or Velocity of Circulation.

The so-called "rapidity of circulation" or efficiency of money bears an important relation to the supply of money. Inasmuch as the demand for money is the need for it in the settlement of exchanges, if \$1 settles ten exchanges in a community in one day, it meets a need or demand for \$10, and in the supply of money in that community it really figures as \$10, for it does the work of \$10.

Hence any circumstance causing money to circulate more rapidly increases the efficiency of the supply of money and makes it capable of satisfying a larger demand, thus tending to lessen the value of money or to cause prices to rise.

The rapidity of circulation varies in different communities and countries, and varies from day to day in the same community, according as trade is lively or dull and according as transactions are within a small circle of persons, all having dealings with one another, or within a large circle of persons each dealing with only one or a few of the others.

Credit lessens the demand for money, since it furnishes a medium of exchange which performs money work. However, since men buy goods with credit instruments, which within the country have the same exchange power as money itself, it is permissible to say that credit practically increases the supply of a community's purchasing power and so raises the prices of goods.

Equation of Exchanges.

The theory of money can be reduced to an equation as follows: Let M represent the amount of money in circulation among the people of the country (not including the money in banks).

Let V represent the velocity or rapidity of circulation; that is, the number of times on the average that a dollar changes hands during a year.

Then MV must equal the total money value of the exchanges performed in the country by means of money during the year.

Let M' equal the total bank deposits subject to check.

Let V' equal the velocity of check circulation; in other words, the average number of times each deposit per dollar is checked against.

Then $M'V'$ must equal the total payments by check.

Let T represent the volume of trade in the country.

Let P stand for price; that is, the average price of goods.

Then we have the following equation:

$$P = MV + \frac{M' V'}{T}$$

In other words, the general level of prices in a country depends upon the quantity of money in circulation, upon the velocity of its circulation, upon the amount of bank deposits and upon the volume of checks written against these deposits. You will find this subject fully discussed in Professor Kemmerer's book on "Money and Credit Instruments in Relation to Prices," and in Professor Irving Fisher's forthcoming book on the Purchasing Power of Money.

Professor Fisher has compiled the necessary statistics for the last twenty years and has calculated what prices ought to have been according to these statistics. He finds that prices actually have varied in surprising agreement with his calculations.

Illustration of Fiat Money.

India between 1893 and 1899 used money which was really fiat in its nature. The free coinage of silver was stopped in 1893, and the value of the rupee was therefore determined, not by the value of silver, but by the relation between the demand for and the supply of rupees. The case of our silver dollar is different. It is not fiat money, but credit money.

Fiat money possesses certain theoretical advantages, but they are outweighed by practical disadvantages. Since the supply must depend upon the will of legislatures, there must always be doubt about its acceptability, for no one can be certain that the supply will not be indefinitely increased. Most experiments with fiat money have resulted in disaster.

The greenbacks during the civil war period, although nominally credit money, were really fiat money, for their value was due almost wholly to the demand for and the supply of greenbacks.

Effect of Falling Prices.

Falling prices may be due to an increasing demand for money on account of increase of production and of exchanges, the supply of money either remaining stationary or not increasing at equal pace with the demand; or the cause of falling prices may be a positive diminution of the available supply of money, the demand for money having undergone no change.

A general fall of prices, no matter what the cause, exerts an evil influence on trade and production.

It increases the commodity rate of interest and discourages entrepreneurs. By commodity rate is meant the percentage of value in goods which the borrower pays.

It discourages production, for the producer is forced to sell at a level of prices lower than that upon which all his calculations and expenses were based.

It appears to increase the burden of long-time mortgages, and often actually does increase it. In either event the psychological effect upon the mortgagor is bad.

Effect of Rising Prices.

When a standard is depreciating and general prices are rising, economists are generally agreed that a gradual rise of prices is less hurtful than a gradual fall of prices. A gradual rise of prices tends

to stimulate industry. However, periods of rising prices are usually characterized by excessive expansion of credit and by frequent panics. These panics, however, are not followed by such long periods of depression as are the panics which occur in periods of falling prices.

It is interesting to note that during a period of rising prices the rate of interest also rises. This is due to the fact that the stimulus given to industry leads to such a demand for capital for use in business that the banks have difficulty in maintaining adequate reserves.

During periods of falling prices, on the other hand, the rate of interest tends downward. This is due to the fact that industry is depressed and the demand for capital does not keep pace with the increase of capital.

Under an appreciating standard (falling prices) bonds tend to rise in price and stocks to fall.

Under a depreciating standard (rising prices) bonds tend to fall in price and stocks to rise.

The nineteenth century had two periods of rising and two of falling prices. (1) Between 1810 and 1850 the general level of prices fell 50 per cent. During this period very little gold or silver was mined. (2) Between 1850 and 1870 prices rose about 30 per cent. (see Jevon's "Investigations in Currency and Finance"). This rise of prices was due to the new gold mines of Australia and California. (3) Between 1870 and 1897 prices in gold standard countries declined over 50 per cent. This was due to two facts; (a) the output of gold did not increase much until near the end of this period; (b) the demand for gold for use as money was greatly increased by the demonetization of silver.

(4) Between 1897 and the present date prices have risen over 40 per cent. on account of the increased output of gold.

Increased Cost of Living.

The recent rise of prices is popularly referred to as increased cost of living. As a matter of fact, it is not certain that the cost of living really has increased. It is probable that food stuffs and other necessities of life are to-day produced with less labor than ever before, and that if we were not using money at all and were distributing the products of labor equitably in proportion to each worker's share in the production, every man in the United States would be getting more for his labor than he received twenty years ago. Unfortunately, however, the change in the value of money has not been uniform. Some commodities have been affected much more than others, and the price of labor has been less affected than the prices of commodities. Trade unions have been able to force up wages, but not to the same extent as the prices of commodities. Salaries have been advanced still less than wages.

Nobody can be blamed for this situation, for individual employers as a rule do not realize that the rise of prices is due to the cheapening of gold. People usually ascribe it to numerous other causes, such as trusts, the tariff, extravagance, exhaustion of the soil, poor farming, etc. These circumstances may affect the prices of particular commodities, but they cannot bring about a change in the general price level.

If people, for instance, spend more of their in-

come on automobiles and champagne they have less to spend on other things. Automobiles will then be high in price and other things lower and the general level not changed.

In considering the probability of a further rise of prices we must bear in mind the fact that the world's stock of gold available for use as money is now much larger than it was ten years ago, and that an annual increment of \$450,000,000 must now have a much less effect on the value of the whole than it would have had then, for it bears a less proportion to the whole. It should also be borne in mind that as the value of gold declines, that is, as prices rise, the business of gold mining will become less profitable and certain gold mines which are now just paying expenses will soon be abandoned.

The chances are, therefore, that during the next ten years the output of gold will not increase in the same rate as in the last ten years and that general prices will not continue their rapid upward movement. It is quite probable that within a few years prices will have reached their highest point and that then will begin a period of declining or stationary gold production and declining prices.

Free Coinage.

The free or private coinage of a metal means the right of any person to take metal to the government mint and receive its weight in coins.

If the government makes a charge for the service, the charge is known as seigniorage. In the United States the mintage of gold is gratuitous.

Until the sixteenth century all coinage in Europe was "on government account," and the supply of money was regulated by kings rather than by natural conditions. The practice of private coinage was introduced into India by the Moslems in the sixteenth century. The East India Company introduced the practice into England in the seventeenth century, the State surrendering its prerogative in 1666, although retaining its power to fix the ratio between gold and silver.

The government stamp on an eagle is nothing more than the government's assurance that the coin contains 23.22 grains of pure gold. The gold is substantially the money; the coin is but a convenient form of it.

It follows that with a metallic standard, coinage being free, price is merely the expression of the quantity of the money metal which a thing will exchange for.

For instance, to say that a hat is worth \$1 is exactly the same as saying that it is worth 23.22 grains of pure gold. Hence, under the conditions assumed, since the coinage of gold in the United States and in most European countries is free, it follows that prices in those countries express the value or purchasing power of the metal gold, and that changes in prices express changes in the value of gold.

Since gold bullion can be exchanged at the United States mints at the rate of \$18.60 per ounce of standard gold (which is one-tenth alloy) this sum is called the "mint price" of gold. That is an extraordinary use of the word "price." The correct statement would be, "An ounce of standard gold coined is \$18.60."

Monometallism.

A monetary system in which only one metal is freely coined and serves as the value denominator is called monometallism.

Coins of other metals may be struck, but their coinage is not free, and their value is kept at par with the standard coin by restriction of their number and by government guarantee. Such coins are credit money; for example, silver coins in the United States, England and Germany.

Paper money may also be used in a monometallic system, but it is always credit money—i. e., it is a promise to pay the metal which is freely coined.

During the nineteenth century the leading countries of the civilized world adopted gold monometallism.

England, 1816; Portugal, 1854; Germany, 1871; United States, 1873; The Latin Union (France, Belgium, Italy, Greece, Switzerland), 1874; Spain, 1874; Sweden, 1875; Norway, 1875; Denmark, 1875; Holland, 1877. Within the last ten years the gold standard has been established in Russia, and practically, also, in Austria, although paper there is still at a slight discount. In 1893 India's mints were closed to silver, and in 1899 the gold standard was adopted, the rupee becoming credit money exchangeable for gold at the rate of fifteen rupees for one pound sterling.

Bimetallism.

Bimetallism is a monetary system in which two metals are admitted free to the mints at a fixed value ratio, coins of either metal being legal tender and value denominator, according as payers or debtors may elect.

For example, in the United States, between 1834 and 1873, the law defined the dollar as being either 371.25 grains of pure silver, or 23.22 grains pure gold. Coinage, therefore, was at the ratio of 16 to 1, the law assuming that the value of gold was 16 times that of silver. As both metals could be freely coined, a debtor had the option of paying with either metal.

Law of Bimetallism.—When two metals are admitted freely to the mints at a fixed value ratio, the coins of both being legal tender, the money demand will keep the two metals at the mint ratio, for if one tends to fall under that ratio the total money demand will be transferred to it, so that its value will rise, while that of the other metal will decline.

Production of Precious Metals.

Since 1492 the annual production ratio of silver and gold has varied widely, but until 1873 the commercial ratio was comparatively stable. In 1600 the ratio was 1 ounce of gold produced to 56 ounces of silver, yet an ounce of gold was worth only 11.9 ounces of silver, the latter metal then being in greater demand for monetary uses than gold. In 1700 the produce ratio was 28 to 1, and in 1800 it was 50 to 1, yet the value ratio during that century varied only between 14.73 to 1 and 15.61 to 1. From 1852 to 1858 the quantity of silver mined was only five times greater than the quantity of gold. The value ratio during this period varied between 15.27 to 1 and 15.59 to 1. The present ratio of production is about 19 to 1, which is about the average for the total period since 1492.



INSTITUTE CHAPTERGRAMS

FELLOWS OF THE INSTITUTE.

Annual Election.

The Executive Council of the Institute has elected twenty-four new members of the Fellowship class as follows:

H. G. Proctor, Commonwealth Bank, Richmond, Va.; Wm. M. Rosendale, Market & Fulton National Bank, New York City; Lester B. Brady, United States Sub-Treasury, Chicago, Ill.; P. J. Slach, Broadway Savings & Trust Company, Cleveland, O.; Gray Warren, First National Bank, Minneapolis, Minn.; W. O. Bird, Colorado National Bank, Denver, Colo.; B. O. Hill, Second National Bank, Pittsburg, Pa.; Lawrence C. Humes, First National Bank, Memphis, Tenn.; D. J. Lyons, First National Bank, Cincinnati, O.; L. G. Brown, Hamilton National Bank, Chattanooga, Tenn.; Raymond B. Cox, First National Bank, Baltimore, Md.; John C. Knox, Bank of North America, Philadelphia, Pa.; H. P. May, City National Bank, Dallas, Texas; Freas B. Snyder, First National Bank, Philadelphia, Pa.; Geo. W. Woolrich, Wells-Fargo-Nevada National Bank, San Francisco, Cal.; H. Olavarria, Banco Nacional de Cuba, Havana, Cuba; G. A. Harrington, Rhode Island Hospital Trust Company, Providence, R. I.; Q. B. Kelly, Utah National Bank, Salt Lake City, Utah; W. J. Murphy, Traders National Bank, Scranton, Pa.; E. P. Wilson, National Savings & Trust Company, Washington, D. C.; Joseph Bailey, National Bank of Commerce, Spokane, Wash.; James D. Garrett, Central Savings Bank, Baltimore, Md.; Allen H. Newton, 218 Collins Street, Hartford, Conn.; A. M. Wright, United States National Bank, Portland, Ore.

CORRESPONDENCE STUDENTS.

Demands for Education.

Several correspondence students have recently come to the Institute from cities in which the regular study courses are being neglected. The Institute prefers that in chapter cities all work should be done in chapters but welcomes individual students in cases where systematic education cannot be otherwise obtained. The correspondence method of instruction is gradually becoming appreciated. The University of Wisconsin, which has met with phenomenal success in instruction by mail, makes the following announcement: "The possibility of teaching by correspondence has already been demonstrated by practical experiment. While such instruction lacks some of the advantages which resident study gives, it has compensating advantages of its own. In correspondence instruction, the teaching is per-

sonal and individual. Every student studies and recites the whole lesson, comes in contact with the teacher as an individual, not as a member of a large class. Correspondence study employs the spare time of the student, gives him an interest beside his daily work. It can be done at home and thereby brings into the home a new influence and charm. Correspondence work, moreover, throws a man upon his own resources and makes him self-reliant and self-determining."

BALTIMORE.

By Adrian J. Grape.

The Educational Director called on us last month and made a short talk to our "Banking and Finance" class along general lines, giving us some advice and criticising where he saw fit, and finally asking the class, individually and collectively, "What have you learned from the political economy lectures?"

This question cannot be answered by one word, or by any limited number of words. To begin with, Baltimore chapter has sought to combine a theoretical study, that is political economy, with a talk along purely practical lines, the latter being an elaboration of a system or systems in vogue in the various departments of a bank, as set forth or explained by some gentleman particularly competent to enlighten us. The theoretical side in conjunction with the practical, form the basis for work in our "Banking and Finance" class. However, who can say what he has learned, even though he has been extremely attentive and studious? But when the opportunity for promotion in one's institution, or for a better situation in some other one, comes along, ask yourself, "Can I fill the bill?" Then you'll be in a position to answer intelligently, "What you learned from the political economy lectures?"

Mr. Allen was much pleased with our class attendance, telling us that it was at least up to the general average, and possibly a little more.

"All work and no play makes Jack a dull boy" is a proverb of old, and realizing the truthfulness of this, the management was especially desirous, at the beginning of the chapter year, to secure the services of proficient men to serve on the Entertainment Committee for the then ensuing year. Surely it has succeeded, for our entertainment committee seems to be composed of men just suited for what they are intended, for certainly our "Open Night" in January would have made any sad heart glad. Plenty of music, plenty of vaudeville, plenty of pipes, etc., etc. All together, it was a round up of just one good night's fun, and the boys would like to see it re-

peated. This famous committee was also the leading spirit in a delightful little dance given to the chapter members and their fair friends, and as usual, success reigned supreme. The annual "Theatre Party" at the Academy of Music brought out a goodly number of our friends, and their friends, to see "The Happiest Night of My Life." The title of the show is a phrase that could well be applied to that night, for from a social standpoint, as well as a financial one, it was "a night" for the chapter.

At a recent open meeting it was our pleasure to listen to a good, solid talk on "The Law and the Banker" by Hon. W. W. Porter, former Judge of the Supreme Court of Pennsylvania. Judge Porter gave us much food for thought in his good advice, and on account of his close relationship with the Philadelphia Chapter boys in helping them to acquire knowledge, we naturally felt that he had a keen interest in young men in general, and consequently his remarks made a deep and lasting impression on the many gentlemen present.

"The Other World as Seen in a Police Station" was the title of an address by Judge James T. O'Neill, Police Justice of the Eastern Police District. This title may seem a little strange to the average person, but from Judge O'Neill's remarks, we were all convinced that there is a world, a criminal world, about which most of us know nothing. To know how to deal with the poor unfortunates who daily throng the police courts is a study in itself. Judge O'Neill has made progress along these lines and by close observation has been able, in many cases, to single out the criminal by accident and the criminal by intent. Many a poor fellow's future has been saved by the Judge's intuition along these lines, he preferring to give a man another chance where, apparently, there was the slightest probability of him getting on the right road again. Kindness is his watchword and by the number of letters read to us from the wives and loved ones of these unfortunates, and sometimes from the unfortunates themselves, it is certainly quite evident that his method is the proper way to improve these conditions.

Our Banquet committee is hard at work for the event of the year, which takes place on March 11th at the Hotel Belvedere. An agreeable surprise for all interested is that they have secured the promise of the Vice-President of the United States, Hon. James S. Sherman, that he will be with us as one of the speakers of the evening. We are all looking forward to this event with much pleasure and enthusiasm.

In order to complete its files, Baltimore Chapter will pay liberal prices for the following issues of the Bulletin: Vol. I—No. 5, Aug. 1, 1901; No. 7, Sept. 1, 1901; No. 8, Sept. 15, 1901; No. 9, Oct. 1, 1901; No. 12, Nov. 15, 1901; No. 13, Dec. 1, 1901; No. 14, Dec. 15, 1901; No. 15, Jan. 1, 1902; No. 16, Jan. 15, 1902; No. 17, Feb. 1, 1902.

The chapter will appreciate the efforts of any Institute member throughout the country who will use his best efforts in this connection. All communications in reference to the matter should be addressed to Raymond B. Cox, First National Bank, Baltimore, Md.

BOSTON.

By Herbert E. Stone.

Nothing especially new in Boston; good lectures, good reports and hearty co-operation by all the members. A few more joined the ranks on the inauguration of the course on Negotiable Instruments and carried our Weekly Report circulation over 280. We have a course that is worth talking about, and members of the committee have become enthusiastic over a bound volume of half the course which made its appearance a short time ago. As a book of reference on live bank questions it will be eagerly sought, and its value will be doubled when the second part of the reports are annexed to it.

Our headquarters have been transferred to the Boston Fruit & Produce Exchange, whose directors were only too glad to rent their meeting place to such a representative Boston institution. There we find the atmosphere much improved, for we are in the shadow of old Faneuil Hall, otherwise known to our sister chapters as the "Cradle of Liberty." We have taken it for granted that our sister chapters have heard about this historic spot; but if they haven't, they will some time, for the A. I. B. convention is bound to hit the "Athens of America" before many years, it being easily the most popular convention city in America. We are looking forward to that time, but for the present we wish Rochester good luck, and will be on hand with a goodly number of delegates when September arrives.

BUFFALO.

By James Rattray.

"Buffalo means business" is a slogan that has been universally disseminated, and, if the enthusiasm with which Buffalo Chapter inaugurated the new year may be taken as a criterion, its individual members have become imbued with the spirit of the city's symbol.

For some time there had been a growing feeling that our method of electing chapter officers did not harmonize with the times, and was calculated to induce apathy instead of arousing that keen interest of the members so essential to chapter welfare, and on December 29th, 1910, we had a meeting to consider the advisability of amending our constitution by substituting direct election of officers for election of a board of governors, who subsequently filled the official positions from their own number.

Suggested "Articles of Association," making provision for popular government, were submitted, and, after some discussion, the question of their adoption was put to the meeting and unanimously carried, thus justifying the belief that the time was ripe for a change.

In controlling the destinies of the chapter since its inception the board of governors has done yeoman service, and it is not without a pang of regret that we made this change in our executive system; but, although such a form of administration has undoubtedly advantages while a chapter is still in its infancy, we think that better results can be secured

and an active interest more easily sustained when members feel that the holders of official positions are of their own direct choice.

At our last meeting the principal attraction was an address by L. W. Allen, of the Manhattan Life Insurance Co., whose theme was "Culture." Ira A. Peterson, of the Fidelity Trust Co., read a paper on "Banking Methods in the Northwest." It broadened our views to learn something of the customs in a region where conditions are vastly different from those with which we are familiar. Several musical selections were interspersed in the program, and on the whole it was one of the most successful meetings, both socially and educationally, that has ever been held under the auspices of the Buffalo Chapter.

For some time the executive committee has had under consideration the formation of a study class in "Banking and Finance" on the Institute co-operative plan, and the prospects look good for enrolling a large number of our members as students at our next meeting. Those of us who have seen specimen lessons of the Institute course, have been favorably impressed with the concise and yet complete manner in which the subject is presented, and it appeals to us as being just the thing for embryonic financiers. At a committee meeting one ambitious member, with apparent solicitude, enquired if the course contained "everything" that a bank president need know, but the consensus of opinion was that, if all holders of such positions possessed as much knowledge of finance as could be acquired by a conscientious study of these lessons, the banking interests of the country would be in the best possible keeping.

At our meeting on the 26th inst. we had an informal discussion on our plans of campaign for this year's convention at Rochester, as we feel that Buffalo chapter would fail in its duty if it allowed such an occasion to pass without actively vindicating its position as representing the junior banking interests of the leading city in western New York State.

George D. Sears, a former president of Buffalo chapter, and at present one of our executive committee, has recently received an appointment as a State bank examiner in New York City. As trust officer for the Fidelity Trust Co. of this city he enjoyed the confidence of the officers of that institution, the friendship of his co-workers, and the esteem of all with whom he came in contact, and in leaving this city he carries with him the good wishes of a large circle of friends.

Our officers and executive committee for the current year are: President, Geo. B. McPhall, Fidelity Trust Co.; Vice-President, H. G. Struif, Manufacturers and Traders National Bank; Secretary, James Rattray, Bank of Buffalo; Treasurer, Victor L. Reisch, German American Bank; Executive Committee, Norman A. MacDonald, Citizens Bank; August P. Duerr, Bank of Buffalo; Geo. D. Sears, Fidelity Trust Co.

CHATTANOOGA.

By T. R. Durham.

Bankers and bank clerks, and most everybody else for that matter, are looking forward with a great deal of interest to the future development of Chat-

tanooga. We trust that the fellows who were here last year and looked upon us as a big country town will make an effort to go to New Orleans in 1915 and stop here on the way and let us show them a real city.

The county has recently appropriated more than a million dollars for the improvement of our roads and the building of two new bridges across the river. A ten million dollar coal corporation has been organized for the purpose of developing some of our natural resources and building a large steel mill, blast furnaces and coke ovens. It is planned for the coke ovens to furnish gas to the entire city at a ridiculously low rate. A real estate company has been or-



F. L. UNDERWOOD.

ganized with a capital of six million dollars for the purpose of developing one of our best suburbs.

These prospects are no idle dreams. These corporations are the result of years of careful study and expert investigation of the surrounding conditions. Seventeen millions of dollars for development may not seem a very large amount for large cities, but when you put that much money into what has been called a big town, something is bound to happen. We are looking forward to a greater industrial development during the next three years than we have experienced during the past twenty.

In keeping with the advancement of the times, the First National Bank has added fifty per cent. to its capital stock, having recently absorbed the business of the American National Bank. The Chatta-

nooga Savings Bank has added two hundred per cent. to its capital stock, creating a substantial surplus at the same time. The Hamilton National Bank is just completing a fourteen story building, the ground floor of which will be used for their banking room, and it is expected that they will add either fifty or one hundred per cent. to their stock at the time of their occupancy.

We are pleased to announce that Frank L. Underwood, for years assistant cashier of the Hamilton Trust & Savings Bank, has been promoted to the office of cashier of that institution. Mr. Underwood began his banking career in this same institution eight years ago as messenger and his rapid promotion has been the reward of intelligent, faithful service. He is an energetic and enthusiastic member of the Institute and has been Chattanooga's representative at every convention since 1907. It was through his efforts that Chattanooga was chosen hostess of the convention in 1910. Recognition of his efficiency is another proof of the high average of Institute men. Mr. Underwood is a member of the Executive Council of the Institute and a strong candidate for the chairmanship of that body at the Rochester convention. Mr. Underwood is an Institute graduate.

We had the pleasure of entertaining for a day and a half His Honor the President of the Institute, Mr. MacMichael. A special meeting was called, before which he made a very pleasing and enthusiastic talk concerning the Institute and its work. We hope he will come again and often.

CHICAGO.

By Thos. J. Nugent.

We have passed the half-way mark of the chapter year, which thus far has been a very successful one. True, the membership has not been up to the standard set in former years, but this has been due to conditions rather than a lack of interest. The cause can be traced directly to the several bank consolidations and mergers which have been engineered in this city, which have added to the duties of the clerks, preventing them from giving any time to Institute work. The interest of the members, however, has been uniformly active.

Chapter work was renewed with increased energy after the holiday lull. On January 10th the regular meeting took on the nature of a smoker and vaudeville entertainment. This feature brought out a happy throng who enjoyed the "smokes" and fun to the utmost.

Past President Lester B. Brady and the old standby, Craig B. Hazlewood, addressed the meeting in characteristic talks. Henry Koefoot, of the First National Bank, "tickled the ivories" in approved rag-time style, to the delight of the audience. Louis Bock, of the First National Bank, and Norman Rose, of the Central Trust Company, rendered some very pleasing vocal solos. Both are possessors of well trained voices and proved sources of considerable entertainment. Roy Weed, a German dialect comedian, unwound a reel of "star scrambled bananas," and a bunch of regulation German and Irish jokes which sent the boys home in good humor.

The regular meeting of the 24th was graced by the presence of Chicago's booster and a gentleman in whom we take a certain proprietary interest, Professor J. Paul Goode, of the University of Chicago. The professor delivered his illustrated lecture, "Chicago, the City of Destiny," and after listening to the facts and predictions set forth we believe that little old Chicago is an "all fired" good town and we had better stick for the finish. His arguments as to Chicago's present supremacy and its unlimited opportunities and prospects were all backed up by data, charts and maps which showed very plainly that conditions from practically the beginning of time have so shaped themselves as to invite Chicago to establish itself and wax strong and great. According to the professor, Chicago is to be a city of 10,000,000 people, the transporting, merchandizing and manufacturing center of a population of from 250,000,000 to 300,000,000 in the Mississippi river valley before 100 years have gone. By that time Chicago will be the hub for three great trade routes to South America and the Panama canal, to Europe by way of New York City, and to the Orient by way of the transcontinental railways. "We have only begun to scratch the surface of the ground in our farming," Prof. Goode explained; "we hardly have touched the wealth of this territory which is tributary to Chicago." You can superimpose the maps of Germany, France, Spain and Portugal, Denmark, the British Isles, and several other countries on the map of the territory tributary to Chicago," Dr. Goode said, "and have room left over." And yet no part of the Mississippi valley has land which is not richer than that of any country of Europe, and which could not support more people than a like area in Europe does."

The annual banquet held at the gold room of the Congress Hotel on January 28th was a thing of joy and a magnificent success. The menu was up to the standard set by the famous Congress Hotel and the orators were in mettle, a combination which makes for a hey-dey and a joyous evening. Hon. Francis W. Parker spoke on "City Government." Mr. Walker is one of Chicago's most prominent attorneys and a notable speaker. Back in the early '80's he was an assistant State's attorney in this district and as such prosecuted the anarchists implicated in the Haymarket riot. He also assisted in the prosecution of the famous "boodle" cases of that time. His address was interesting and instructive.

Chas. A. Alden spoke on "Modern Patriotism." Mr. Alden is an orator of note and his talk was intensely interesting and blood-stirring. He is assistant manager of the western circulation office of the "Ladies' Home Journal" and the "Saturday Evening Post."

The third speaker was Francis T. Simmons, whose remarks on "Chicago in the Abstract" were timely and of much value. Mr. Simmons is one of Chicago's foremost citizens and an orator of especial note. He is an ex-president of the Chicago Association of Commerce and at present on its executive board. He is also president of the Lincoln Park board and a member of various civic bodies and clubs. His subject was a happy one and his comprehensive knowledge of the city and its needs insured an enlightening address.

The Harmony Trio entertained throughout the entire banquet. Copies of the choruses of each song rendered during the evening were furnished all present, and the rousing tunes of famous melodies resounded throughout the halls of the hotel.

The class in "Commercial and Banking Law" continues to prosper. James I. Ennis, LL.D., who conducts the course, reports that sixty-six passed the semi-annual examination. The "Banking and Finance" course will commence studies on March 14th. Professor Howard, of the School of Commerce of Northwestern University, will conduct this class. At this early date considerable interest has been manifested in the course and the chapter officers look for another big success.

The Debate Society has held some lively little sessions in its cozy headquarters. The meeting of January 17th was particularly interesting in that a debate was held between selected teams. The subject for discussion was "Resolved, That the capitalization of State banks be graded according to the amount of deposits and location rather than by population as at present." Messrs. J. H. Ashley and R. M. Coleman, of the Corn Exchange National Bank and Union Trust Company, respectively, presented the affirmative side of the proposition. They were opposed by Messrs. F. R. Curda and G. L. McNeill, both of the Glaser Savings Bank. The arguments put up by the debaters were splendid and showed considerable research and study. The judges were unable to give a decision, so closely matched were the teams. John M. Drummond, chairman of the debate committee, and a member of the champion First National Bank baseball team, recited "Casey at the Bat." Following this a half hour of parliamentary drill was participated in by all present, which was at the same time humorous and instructive. The chapter possesses amongst its membership a number of your parliamentarians who could put to shame some of our older and more experienced brothers in the banking profession. The society gives opportunity for all to learn something at least concerning this very important adjunct of business life.

CUBA.

By W. H. Morales.

At the last meeting of Cuba Chapter of the American Institute of Banking, which was held in this city last Wednesday, a letter was read from Mr. George E. Allen, the educational director of the American Institute of Banking, with headquarters in New York City, advising the chapter that the application submitted recently to the central organization in the United States, for the establishment of a division of Cuba chapter at Cienfuegos, has been approved.

In his remarks to the organization, Mr. Allen took occasion to congratulate the officers and members of Cuba chapter in Havana on the extension of their good work over the "greatest island on earth," the reading of which evoked due applause, and the following resolution was passed:

"Resolved, To authorize the establishment of a

section of this chapter at the city of Cienfuegos, Cuba, to be known as Cienfuegos Section of Cuba Chapter, whose members shall be considered associate members of Cuba chapter. Also

"Resolved, To authorize Cienfuegos chapter to organize for its local purposes in such manner as it may deem necessary as far as consistent with the general regulations and constitution of the American Institute of Banking Section of the American Bankers Association."

The creation of the new chapter at Cienfuegos comes as a result of an effort on the part of several officers and employees of the National Bank of Cuba in that city to organize a school of banking, finance and commercial and banking law on the same basis as that prevailing in Havana, where the main chapter was organized a year ago.

The authorization to open a branch of the Institute at Cienfuegos means much to the young bankers of that city, judging by the experience of those affiliated with the Havana organization; and the prompt response of Mr. Allen, coming as it does from a prominent educator in the North, is a source of great satisfaction to the association here, as it is a closer tie between the banking men of the island and those in the United States.

Since the commencement of the new year the daily English classes of the chapter have been resumed in the National Bank Building, and the progress of those seeking practical knowledge of the language is more than satisfactory.

The educational spirit of Cuba chapter has been liberal from the start and in organizing the school of English it affords an opportunity to each and every member, which includes all the employees of the National Bank of Cuba, to obtain free instruction in English according to the most approved modern methods.

DENVER.

By W. Campbell Garver.

The regular meeting of Denver Chapter was held January 11th in the Assembly room. John A. McMullin, Manager of the Bond Department of the Federal State & Savings Bank, delivered an interesting and instructive address on "Bonds as a Secondary or Emergency Reserve for Banks." After the address about an hour was devoted to a general discussion on the subject, which was entertaining as well as very profitable. Mr. McMullin's address will be published in a subsequent number of the Bulletin.

DETROIT.

By Richard McConnell.

Detroit Chapter is hard at work along educational lines and in such activities there is not much of what is ordinarily called news.

We are proud of the fact that another of our deserving members has become a bank officer. Samuel R. Kingston has been elected an assistant cashier of the National Bank of Commerce. Mr. Kingston retains his position as auditor of the bank.

HEAD OF THE LAKES.

By John L. Evans.

Head of the Lakes Chapter is specializing in education. We are half way through the course on "Banking and Finance." The course is coming closer to our daily work and any lesson can be taken alone to advantage. The ones who did not commence with us or who have been unable to attend continuously can still derive great benefits from these lectures.

Our social committee planned a banquet for January 27, which was successful. We had several of our bank officers speak to us, and got the younger boys interested in the work of the chapter. Our annual social event comes next month, and we look forward to pleasant times.

Another of our members has been promoted to an official position. W. J. Bemrick, of the American Exchange Bank of Superior, has become Assistant Cashier of that institution. We know his reward is well deserved, and wish him success and happiness in his new duties.

HELENA.

By H. C. Schuyler.

Helena Chapter of the American Institute of Banking was organized the latter part of December with a membership of twenty-five ambitious bankers. The study course in "Banking and Finance" provided by the Institute affords all bankers a great opportunity for advancement and we expect to take up this work as soon as arrangements are completed.

LITTLE ROCK.

By S. M. Dent.

On Tuesday night, January 17, the old Little Rock Chapter of the American Institute of Banking was reorganized with a membership of about forty. There were several clerks who could not attend the meeting on account of previous engagements, but we feel sure that they will join us at our next meeting which will be held the first Tuesday in February.

The meeting was held in the board room of the Mercantile Trust Co. of this city, with R. H. Thompson as temporary chairman, and the following officers were elected to serve until May: President, C. B. Maxwell; Vice-President, G. B. Gill; Secretary, S. M. Dent; Treasurer, Will Neimyer.

LOS ANGELES.

By H. C. Hurst.

"If there is no hell, where will our neighbors go?" said some wise philosopher; but Los Angeles and Pasadena are not that kind of neighbors. The first general meeting night of the new year is going to be Pasadena night.

The associated banks of Pasadena will entertain the Los Angeles bunch at the Hotel Maryland, and a royal time is expected. The chief speaker of the

evening will be R. B. Armstrong, former Assistant Secretary of the United States treasury.

At the November meeting John Topham, member of the police commission, gave a very instructive talk on the work of that body. The same evening A. Montgomery, the farmer who paints and the painter who farms, talked on indigenous American art, and proved himself to be "funnier than a nest of young crows."

The December meeting was also a fine one. O. M. Souden, Vice-President of the United States National Bank, gave us "Some plain facts on the central bank idea." He certainly knew his subject thoroughly; also he knows how to serve his ideas up to an audience.

Frank F. Pratt, a leading Los Angeles lawyer, gave an hour of character reading, and unsparingly read the heads of some of the oneriest members present. While this was very amusing, Mr. Pratt also went deeply into the scientific side of phrenology.

Our meetings continue very well attended, and our small but ambitious library is getting to be a great rendezvous for the studiously inclined.

We are now on the tenth lecture of the course in "Banking and Finance," and the farther we go the better we like it.

On the whole the outlook for 1911 is most promising, our only trouble at present being that members lose their way while coming to our rooms, owing to the vast number of new sky-scrappers that are springing up in down-town Los Angeles.

MILWAUKEE.

By Louis Petran.

If Institute experience in Milwaukee has forcibly driven home one thing, it is the incontrovertible fact that the desire of bank men is for higher education and not sociability as the ideal of chapter activity. During nine years of organized existence, many experiments have been tried, many plans conceived and executed and all have but more clearly demonstrated that though each may offer some advantage to be relatively used in chapter work, none meet in such a large degree the practical wants of men as systematic education. Our ideal is to place our work on a university basis, and with the aid of the University of Wisconsin, we are in a large measure accomplishing it. The study courses in which the text book and individual recitation and practical demonstration receive most emphasis, are the most attractive and best attended features of our work. We have just completed our course in "Banking and Commercial Law" and the examination was successfully passed by the following members:

J. L. Kennedy, Marine National Bank.

G. G. Fischer, Milwaukee National Bank.

J. H. Daggett, First National Bank.

G. J. Neth, Wisconsin National Bank.

D. T. Leisk, Milwaukee National Bank.

Edward Schranz, First National Bank.

Carl Jeske, Marshall & Ilsley Bank.

P. A. Loew, First National Bank.

C. G. Lawler, Marine National Bank.

E. J. Bauer, Marshall & Ilsley Bank.

W. A. Kurtz, Germania National Bank.

Each Thursday evening a class averaging about sixty members meets for work in "Advanced Account-

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ing" and "Credits." This is an especially constructed course prepared by the University of Wisconsin. It embraces accounting, credits, bank examination and the prevention of fraud. The work embraces a lecture, blackboard demonstration and individual quiz, and is attended by officers and clerks alike.

On February 7th Dr. Scott, Director in the course of Commercial Law at the University of Wisconsin, commences his class in "Banking and Finance."

On February 11th this chapter debates Detroit. This will be the first debate under the auspices of the Western Debating Conference held this year.

MINNEAPOLIS.

By Thomas M. Rees.

Since the last report Minneapolis Chapter has received twenty new members. Three of our members, namely W. A. Meachan of the Security National Bank, and W. M. Koon and H. P. Newcomb of the Northwestern National Bank, have been elected assistant cashiers of their respective institutions. Minneapolis Chapter congratulates them upon their promotions and having perfect confidence in their ability, believes they will be a credit to the banking interests of the city. One of our Institute veterans, L. E. Wakefield, well known as Assistant Cashier of the Northwestern National Bank, has become treasurer of the Wells & Dickey Company.

We have been addressed at recent meetings by W. F. McLane of the Hennepin County Savings Bank and Warren M. Horner of the Provident Life & Trust Co. The debate committee is now arranging to hold a debate with St. Paul Chapter.

NASHVILLE.

By F. M. Mayfield.

Nashville Chapter held its regular monthly meeting in the Board of Trade rooms January 13th. This meeting had been postponed on account of the visit of the President of the Institute, R. H. MacMichael of Pittsburgh. A large number of the members turned out to hear the President and it is needless to say that his speech on the work of the Institute was given close attention. Speeches were also heard from Mr. Hume, who is conducting the law class, and Mr. Miller and Mr. Houston. Before adjournment, Mr. Curry asked Mr. MacMichael to outline the meeting of the Pittsburgh Chapter, and Mr. MacMichael again took the floor and spoke of the work of his own chapter. Mr. MacMichael remained in the city for two days and was entertained by the different members of the chapter.

NEW ORLEANS.

By John Dane.

Our chapter had the honor of a visit from Ralph H. MacMichael, President of the Institute, on Monday, the 23d of January. We also had the pleasure of a visit from Frank D. Brundage of Knauth, Nachod & Kuhne, New York. Mr. MacMichael spoke to us concerning the Institute, from its infancy up to the pres-

ent time, giving us the benefit of his wide observation, and relating the doings of Pittsburg Chapter at present. His remarks were closely followed by the men of our chapter, and Mr. MacMichael was closely besieged by questions. Mr. Brundage favored us with a few remarks upon his experience with the Institute, which were very much appreciated by the members. To add further to the enjoyment of the evening, our Prof. Aldrich, of Tulane University, favored us with a short address. Preceding the meeting, the chapter dined at the "Old Hickory," with Mr. MacMichael and Mr. Brundage as our guests.

Our vaudeville show is coming off on Saturday, February 4th, and from present indications, we expect to make a little money. The boys are working hard now, attending rehearsals and selling tickets.

OAKLAND.

By Lester H. Heacock.

The holiday season was a period of rest for Oakland Chapter. Not for our members personally, for at each meeting now are heard the murmurs of "Ten dollars out, worked until eleven," and the other expressions with which we all are so familiar. But the chapter had no official meeting after our jolly-up in mid-December until Fra Cerini called his "Banking and Finance" class together on January 10th. Ten of the persistent puzzled patiently with "Banking Functions" and all agreed that the lectures were becoming more intimately interesting.

Another of Mr. Harrison's very interesting lectures, "Relations between the bank and its client," was given on the 11th to an audience of fifty who showered Mr. Harrison with questions that showed the interest evoked.

The big thing in chapter circles just now is the minstrel show which we are to give at the Macdonough theatre, our leading playhouse, on February 24th and 25th. This is our first attempt at a show of our own, but great enthusiasm is being manifested and we look forward to one fine large time. R. E. Collins, Jack Killam and President Dunsmoor, who are in charge of the production, are working day and night over the details, and the two rehearsals have brought out a wealth of unsuspected talent from among our members. Soloists of the leading musical clubs have enrolled and the best amateur and professional vaudevillians of the Bay Cities have volunteered their services.

The receipts of the show are to be used for the fitting up of another room in our quarters, and it is hoped that this enlargement will result in an increase in the social activities of the chapter.

PITTSBURG.

By J. Howard Arthur.

At the largest meeting of the season, held January 25th, 1911, the following resolution was unanimously carried:

"Whereas, At a regular meeting of the Board of Governors held November 17th, 1910, Mr. B. O. Hill was unanimously endorsed as Pittsburg Chapter's

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candidate to the Executive Council, therefore, be it
"Resolved, That Pittsburg Chapter desiring to be
represented on the Executive Council by the choice
of its officers and directors, hereby, in open meeting
assembled, endorses Mr. Hill as a candidate and re-
spectfully solicits the support of other chapters in his
behalf."

By H. E. Hebrank.

On January 17th, Dr. Temple, of Washington and Jefferson College, gave his eleventh lecture, taking for his subject "Clearing Houses," and it proved a very profitable one to all the members present.

Following the lecture the chapter class indulged in about half an hour of parliamentary practice.

The next lecture by Dr. Temple will be one that all bank men should attend, as they will hear an able man speak on such subjects as "Loans and Discounts," "Collections" and "Stocks Bonds."

At a Dutch luncheon given by Pittsburg chapter, at their rooms in the Wabash Building, January 24, National Bank Examiner Henry A. Williams, honor guest, in an address declared that the general public, bank directors and bank employees, have a wrong impression of the bank examiner. The general impression of bank examiners, he declared, is that they are continually on the lookout for errors and discrepancies in the management of banking institutions. This is a wrong impression, he explained. The bank examiner's duty is to investigate the financial condition of banks to discover whether they are solvent or insolvent. Mr. Williams highly recommended the bonding of all bank officials and cited instances where banks had failed because of the wrongdoing of some official who had not been placed under bond. The bank clerks enjoyed an interesting program at the luncheon. A piano solo by Harry Evans, of the First National Bank, and selections by the Smoky City Imperial Quartet were enjoyed.

The debate which is scheduled for February 28th between two teams picked from the chapter, is occupying much attention as the subject for the occasion will be "Resolved that the Pittsburg Clearing House Association establish a credit information bureau for the use of local banks."

February 2d will see the close of a very successful season in basketball with a game between the Union National Bank and First National Bank.

For the benefit of some of our members that do not attend the classes, a large reception and dance has been arranged for Friday, February 17th, to be held in the New Colonial Auditorium on Collins avenue, where over five hundred couples can be accommodated without the least crowding. As this is the first dance of the season, it is expected that nearly all the members will attend and renew old acquaintances.

All of these show that Pittsburg Chapter is wide-awake and making their members feel glad they belong to such a chapter.

PORLTAND.

By Geoffrey St. Aubyn.

The last monthly meeting of Portland Chapter proved to be one of the most interesting and enjoy-

able. The chief features of the evening were three-minute talks by several of the members, which, needless to say, brought out considerable hidden talent. Members were invited to ask questions on the various subjects discussed to which they responded, bringing out many interesting points in the discussions that followed.

W. E. Gray, of the Membership Committee, by his untiring efforts, had added about 25 names to our chapter roll and it is expected that Mr. Gray will be instrumental in bringing out membership up to two hundred before the close of the chapter year.

The chief feature for next month's meeting will be a debate on Central Banks, which it is hoped will be followed by other debates.

ROCHESTER.

By Edward M. Weingartner.

Three weeks ago a class in "Banking and Finance" was formed, by Rochester Chapter, and the members now have the matter well in hand. The lessons are read by Frank S. Thomas, who is conversant with the subject, and then they are discussed, in an open meeting by all the members present. The class is a huge success, and we look forward to increased membership on each class night.

The class meets every Thursday evening and greater enthusiasm is shown at each meeting. It is a great opportunity and no man can afford to miss it.

SALT LAKE CITY.

By S. G. Saville.

We are getting well started in "Banking and Finance." We have been unable to start this subject before on account of the unsettled condition of the Commercial Club, where we meet, due to their just having moved into new quarters. We have, however, been able to keep up our regular meetings. From now on we shall have a permanent home, which we think is second to none in the country, and one where we shall be able to get down to real hard work. We are fortunate in securing the services of F. W. Kirkham, professor of Economics in one of our universities, who has taught this subject for several years in various western universities and colleges. He understands the condition and realizes that we are beginners in the subject, but insists on every man working hard and conscientiously. We are all agreed that the subject is a splendid one and are desirous of getting all we can out of it.

SAN FRANCISCO.

By Henry L. Clapp.

Though this is the third month of the study courses for this season the classes still continue popular and the average attendance is about fifty. The Law Class is still studying "Negotiable Instruments" and the Exchange Class is discussing "Arbitrage."

The house committee has recently purchased a new player piano upon which daily concerts are given

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every afternoon which are more or less appreciated by the other tenants of our building.

Our annual minstrel show and dance will be held this year on the 24th of February. The talent is furnished by bank men and the rehearsals are under the direction of professionals.

SAVANNAH.

By George H. Dieter.

The regular meeting of the Savannah Chapter was held in the chapter rooms on January 12th. The law class still continues its study, having secured a member of the Savannah bar as instructor.

Savannah Chapter notes with much pleasure the appointment of F. R. Nesbit, of Macon, as a member of the transportation committee of the Institute. Georgia is proud of the fact that just at this time she is so well represented in Institute matters as the State now has the Treasurer of the Institute and also the appointment of Mr. Nesbit on one of the important committees for the Rochester Convention. We are an ambitious set down here in this Empire State of the South and we want to see a Georgia man on the Executive Council of the Institute. Why not?

On January 19, twenty-five or thirty active members of the chapter partook of the annual oyster roast which was held at the Isle of Hope. The day was fair and mildly cool and lent zest to the hearty appetites of the hungry Savannahians. The oysters were large in size and quantity and roasted to a turn by Barbee's black chefs. After the roast the members strolled about the island while others danced on the pavilion to the music of a whole brass band at a cost of a nickel per. A dozen of the more venturesome went out for a ride in a launch with a cranky disposition, from which they eventually escaped without serious result.

SPRINGFIELD.

By Fred H. Tilton.

The December meeting of Springfield Chapter was held on the evening of the twentieth when we had the pleasure of hearing E. H. Naylor, Secretary of the Springfield Board of Trade, who told us of the national rivers and harbors convention held early in December in Washington. As Mr. Naylor was in attendance at the convention he was well qualified to tell us of what was done there. In speaking of the possibility of making the Connecticut river navigable between Hartford and Springfield, a matter in which our city is naturally much interested, Mr. Naylor was very optimistic, prophesying something definite in Springfield's favor within the near future.

Following Mr. Naylor, A. J. Skinner, Assistant Cashier of the Third National Bank, told of the Los Angeles convention and his trip through the West. He had many post cards of places visited and spoke especially of the royal entertainment accorded the bank men in attendance at the convention.

On Thursday evening, January twelfth, B. M. Bancroft gave an interesting and instructive blackboard talk on cross cuts in figuring interest, carrying out statements, etc., and following the talk gave the mem-

bers a chance to solve some problems for their own satisfaction. In showing proofs of trial balances, and quick addition, he forced us to admit that figures sometimes cause needless worry, even to bank clerks.

TACOMA.

By Virgil W. Fell.

During the month of December the chapter board of governors met with the advisory board to try and solve the problem of bringing out more members at the regular meetings and especially to the lectures on "Banking and Finance." After giving the question an afternoon's threshing out it was decided that the regular meeting each month should be taken charge of by one of the banks and be known by that bank's name.

In accordance with the foregoing plan the January meeting, held on the evening of the fifth, was designated as the Bank of California evening. S. M. Jackson, manager, was in charge. After welcoming the assembled clerks, which very properly could be called a crowd, Mr. Jackson spoke on the subject of "Foreign Exchange." His remarks were instructive and highly interesting, showing much time had been given to the subject. The chapter was fortunate in having present Clinton A. Snowden, at one time proprietor of the Chicago Times. Mr. Snowden recently completed a history of the State of Washington, consisting of several volumes, and is one of the foremost literary men in the State. Mr. Snowden took as his topic, "Success," deftly weaving fact and story into a discourse, the end of which came much too soon, from the point of view of the audience. The Negotiable Instrument Act was briefly discussed by Attorney Walter Loveday, who made many points plain, and awoke a desire on the part of the bank men present to become more conversant with this important act. Tacoma Chapter hopes to have both Mr. Snowden and Mr. Loveday present at some future time to again benefit by their personality and remarks. Last on the program were a Burroughs and a mental addition contest, prizes for which were awarded by Mr. Jackson. In the Burroughs contest A. Willison finished first, time 3.33; A. Geiger second, time 3.39. Mr. Boecheck, of the National Bank of Commerce, won first prize in the mental addition contest, time 1.31, while second place fell to C. A. Craft of the same bank. The meeting, as a whole, was one of the best ever held by the local chapter and more of the same tone are hoped for.

PHILADELPHIA.

By Charles B. Engle.

Philadelphia has fulfilled our predictions of a month ago by entering upon the new year with a greater amount of enthusiasm than ever, determined to make 1911 the best yet, but never to allow good or better to be satisfactory as long as Roosevelt permits the superlative word to remain in the dictionary.

Our initial meeting of the month set a high water mark for attendance and those present were well re-

paid by two splendid addresses. The Hon. J. E. Ralph, Director of the Bureau of Engraving, came on from Washington and talked most interestingly about "Money." Under the spell of his tongue it seemed far removed from the sordidness with which we usually associate it and the only regret we have is that he did not distribute samples. Judge Harman P. Yerkes, of the Bucks County Bar, one of Pennsylvania's best known jurists, was also with us and a most instructive hour was spent in absorbing the wisdom he brought, but we have taken many hours to finish the process of assimilation.

The men who have been secured by our Speaker's Committee have been of highest caliber and much credit is due Chairman David L. Lewis and his efficient corp of assistants. The future promises many good things in this line and already we are anticipating the visit of O. H. Cheney, New York State Superintendent of Banks, who is to be one of our speakers in March.

We were graced with the presence of our educational director at one of study class sessions, and the fact that he was very mild in his talk encourages us in the belief that we are meeting with his approval (maybe). He is always a welcome member of our meetings and our only regret is that the chapter in general did not have the benefit of his remarks. New York is so near to us that his visits seem more rare because we are beginning to regard Gotham as one of our suburbs and we feel that he might drop in more often.

During January our study class took up the subjects of "Bank Organization" and "Bank Administration" under A. H. Jones, assistant cashier of the Central National Bank; and "Bank Accounting" and "Bank Examination" under Walter K. Hardt, assistant cashier of the Fourth Street National Bank. We have succeeded in securing experts in their lines to handle the remaining subjects and the work of the class is attracting much favorable comment throughout financial circles.

After working up the "Tariff" in such shape that it was an unanswerable argument whichever way you hitched it, our debating team was compelled to postpone their triumph until next month as the mid-year examinations at Swarthmore College prevented the combat on the evening scheduled. We intend to keep in fighting trim, however, and indeed there is no chance of going stale when you mix twice a month in the sessions of the debating class. Mr. Baur has been of inestimable benefit to us and we have no fear of the whites of the enemy's eyes.

On the 25th, musical Philadelphia was all turned toward Drexel Institute where we held our annual Ladies' Night with the program in the hands of the combined musical clubs of the University of Pennsylvania. To quote the Drexel authorities: "They didn't know the hall could hold so many," and we are sorry to say that many friends who were tardy had to forego the treat. It was a big night and the committee is wondering where they could have secured an auditorium that would have held the crowd that turned out.

The same problem is confronting our banquet committee as last year's affair taxed our old home for such functions but the activities of the chapter this

year have made so many new friends that the committee will need all the time between now and March to make adequate provision for them.

Once again has one of our members received recognition by the powers that be and we are glad to announce that Edmund Williams has been elected Assistant Cashier of the Tradesmen's National Bank. Mr. Williams has been active in chapter work for a number of years and is president of our debating section. Another item of encouragement for the young institute man is the fact that J. E. Gossling, of the Second National Bank, has been promoted from Assistant Cashier to Cashier and we feel that all institute men join with us in congratulating our members upon their advancement.

NEW YORK.

By W. H. Kniffin, Jr.

The goal is reached! Hats off to the men who did it—the army of the faithful! When, at the beginning of the season, President Minor asked for a membership of a thousand, we held our breath; it looked like hoping against hope, for it meant an increase of thirty per cent. And when the thousand came, with ease, and he made it twelve hundred, or about sixty-six per cent., we drew a big breath and started in and got the twelve hundred, and when he said, "Boys, I hereby set this gong to ring at fifteen hundred," or an increase of one hundred per cent., why, we simply pulled off our coats and got out our little hammers and practiced striking men for memberships until the little flipper just climbed up the wire and struck the fifteen hundred—and that was certainly some going! And now as we "have came where we were going to," as the little boy put it, with fifteen for good measure, lest some be spilled on the way, we are open for congratulations. In fact, everything New York does nowadays seems to turn into memberships. Why, only a week ago the secretary sent out to all consuls membership lists for verification, and scooped in a bank president, a savings bank comptroller and a trust company president, not to mention a dozen or so lesser lights. But enough of this—we are getting proud, and pride goeth before a bad spill, said an ancient philosopher, and we do not propose to test his philosophy here. Therefore, grant us one long, lingering look, for did we not aim at a church steeple and hit the moon? And now that we are where we wanted to be (a most comfortable feeling to have), we shall settle down to become what we ought to be—which is still more comfortable.

By the time this reaches California, the "banquet de-luxe" will have become a thing of the past. Mine Host Munchenheim will have gathered up his spoons and cigar ashes and put the twenty-five hundred in the Astor Trust (you see, they keep the money in the family), and the glad clothes will have been laid away in moth balls for another year. To properly describe this great event would require six-inch type *à la* Evening Journal and red ink, and the Bulletin office has neither. Suffice it to say, the boy soprano sang like Tetrazzini imitating Patti; Minor, chief of the boy orators, covered himself with glory, so that

his satellites are glad now to even sit in the same pew with him, while Mr. Cattell told his best "kitten" stories, and the glee club sang like the Old Home-stead Quartette, and the three-fifty has been forgotten in the multitude of pleasant memories.

The peculiar feature of New York's work is that it is solid. The "dryer" the lecture the bigger the crowd. This was demonstrated by the excellent program of January 12th, addressed by a clergyman on the subject, "Man in the Light of His Destiny"; the manager of an audit company on "Efficiency in Its Relation to Finance," and an ex-bank superintendent on the "Co-operative Credit Banks of Europe," which failed to draw as large an audience as a lecture on law. And how Professor Tompkins can hand it out! Yea, and how the men can take it in! He'll nae find a sucker in New York's town pump to accept his bad bills! Three hundred and ninety-nine copies of the New York Negotiable Instruments Law (the basis of the lectures) have been sold, and one given away with a pound of tea; at least, the secretary hasn't seen the missing quarter yet.

We shall test our knowledge of the law of bills and notes on March 9th, when it is hoped as goodly a number will face the music as did in the course in "Foreign Exchange."

February 14th is the big savings bank night—"president's night," for only savings bank presidents will be on the program, and we have been signally honored in securing Messrs. Schenck, of the Bowery; Mills, of the Dry Dock; Coombs, of the South Brooklyn, and Sprague, of the Union Dime. The amateurs will have a chance to talk at the close of the addresses, but they are usually timid about talking in the presence of the notables, a timidity which it is hoped time will cure.

The course in practical banking is to open as soon as Prof. Tompkins completes his engagements, and the program is as follows:

March 23—Robt. A. Parker, Vice-President Market & Fulton National Bank. Subject, "Credit Organization in Banking Institutions; Consideration of Discounts and Purchase Paper."

March 30—Edmund D. Fisher, Deputy Comptroller, New York City. Subject, "Municipal Credit."

April 6—Geo. G. Henry, of Solomon & Co., formerly Vice-President of Guaranty Trust Co. Subject, "Investments in General" (particularly in reference to kinds of bonds).

April 13—Geo. G. Henry, of Solomon & Co. Subject, "Desirability of Investments from the Standpoint of the Individual Investor. Desirability from the Standpoint of the Bank as an Investor."

April 20 and 27—Howard Bayne, Vice-President of Columbia Trust Co. Subject, "Trust Company, Administration and Laws."

WASHINGTON.

By F. V. Grayson.

Washington Chapter desires to announce the candidacy of Mr. Carroll Pierce, Vice-President of the Citizens National Bank, of Alexandria, Va., for Chairman of the Executive Council at the Rochester Convention. Mr. Pierce received his early bank training

in a country bank in Leesburg, Va., identifying himself with the Citizens National Bank of Alexandria, Va., in 1904. He has held the positions of Assistant Cashier, Cashier and Vice-President, respectively, of the latter institution during the past seven years. He is now the active executive officer of that institution. Mr. Pierce has been active in Institute work in Washington Chapter for the past seven years, having served on the Board of Governors for several years. He is interested in Institute work in all of its phases, and is himself an Institute graduate, having last year passed the final examination in "Commercial and



CARROLL PIERCE.

Banking Law" and recently the final examination in "Banking and Finance." Mr. Pierce is prominently identified with the business life of Washington, and in addition he has been actively identified with the work of the Virginia Bankers Association. It is said of him that he enjoys the acquaintance of a large number of the members of the American Bankers Association, at whose conventions he is always present. Mr. Pierce was elected a member of the Executive Council of the Institute at the Seattle Convention, and is eminently qualified by education, experience and personality to represent the Institute in the deliberations of the American Bankers Association.

On January 5th we had the pleasure of listening to Willis J. Fowler, Deputy Comptroller of the Currency, lecture on "Bank Organization." Mr. Fowler was in charge of the Bank Organization Division of the Comptroller's office for ten years prior to his appointment to his present position. From this it may be seen that the subject is not a new one to him. He handled his subject in a thorough manner, and from the attention given his remarks no doubt a valuable store of information was gleaned by the members.

"Bank Administration" was the subject for the lecture on January 12th, but owing to the absence of Mr. Telling, the speaker engaged, this lecture will come in a little later in the course, February 23rd.

"Bank Accounting" was the subject for the lecture of January 19th, and was handled by Edward P. Moxey, Jr., Ph.D., C.P.A., Assistant Professor of Accounting, Wharton School of Finance and Commerce, University of Pennsylvania. This was one of the largest attended lectures of the educational course this season, and the marked attention given Prof. Moxey's remarks was evidence of the deep appreciation of those present. He was clear and convincing, and his style of procedure was far beyond our expectation. A number of students of accounting schools were present, and voted his lecture a masterpiece. Prof. Moxey was tendered an informal dinner at the Raleigh Hotel.

"Collections and Transits" was the subject for January 26th, and was in charge of A. Howard Wolfe, manager of the transit department of the Philadelphia National Bank. Mr. Wolfe has been battling for years with the practical problems incident to this subject, and came to us direct from a conference of eastern and western transit managers, recently held in Chicago. His lecture was of a calibre that shows he has put in a majority of his spare moments thinking up something along the transit line, that will be of inestimable value to his fellow bank clerks throughout the country.

The program committee selected Tuesday evening, January 31st, for a smoker, for the purpose of presenting the Bankers Baseball League trophy cup, which was donated by Washington Chapter in 1909, to the team winning the pennant two successive years. The team representing the American Security & Trust Co., having carried off first honors in 1909 and 1910, was tendered the cup on this occasion. After the presentation the clerks of this institution gave a minstrel show for the delectation of the audience. We had a very pleasant evening.

"Clearing Houses" is the subject for February 2nd, by H. H. McKee, Cashier of the National Capital Bank of this city. Mr. McKee is one of Washington's practical bankers, and he will discuss this topic along broad lines; describing particularly the type of clearing houses whose operations are not confined merely to the exchanging of checks. The important part these associations play in the financial life of a country, and the powerful factors they become in times of panics, should be clearly understood by all bank men.

Joseph T. Talbert, Vice-President of the National City Bank, of New York, will speak on "Loans and Discounts," on the evening of February 9th. Mr. Talbert is especially fitted to handle this vital subject,

being an officer in the largest bank in the United States. He is a speaker of note, being much in demand as a stellar attraction for conventions and gatherings of bankers. This address should bring out a large representation from every class of banking men in Washington.

February 16th we will have with us George E. Roberts, Director of the Mint, on "Cash and Cash Reserves—Gold Production." Mr. Roberts knows the practical and likewise the theoretical side of this subject, having safely piloted one of the largest and strongest banks of the middle west through the panic of 1907. After serving as president of that institution for three years he returned to his present office, which he had previously held for eight years. To-day he is considered the world's authority on gold production, and the members of this chapter and others interested in the topics for the evening, should not miss this opportunity to hear them so ably discussed.

On February 25th we will have our annual banquet, in charge of Wm. Arthur Dexter, Chairman, and J. Cassin Williams, Secretary and Treasurer, both of the Riggs National Bank. Mr. Dexter assures us that this banquet will be the equal, if not better than any previously held. He has secured five speakers up to this writing and guarantees that they will be speakers of ability and worthy the attention of any assemblage. An orchestra will be on hand to render all the latest popular airs of the day and will be assisted by three soloists of ability. The menu will be one that will please the most fastidious. Watch for the formal announcement soon to appear.

The Librarian wishes to call the attention of the members to the many good books that are in the Library at the chapter rooms, such as Barret's Modern Banking Methods; Johnson's Money and Currency; Dewey's Financial History of the United States, and Cannon's Clearing Houses.

It is incomprehensible why the young men in the banks of Washington do not become members of this chapter and reap the many benefits to be derived from the meeting of the rising generation of bankers, and attending the lecture courses. We will venture the assertion there is nothing in which you can invest \$3.00 a year and get such enormous dividends from, as you can by becoming an active member of Washington Chapter.

Washington Chapter is still adding members to its honor roll. The latest to be enrolled are: Lloyd M. Tillman, National Bank Examiner for the eastern part of Pennsylvania, who has been made president of the Allentown National Bank, of Allentown, Pa., and M. L. Dinwiddie, receiving teller of the Citizens National Bank, of Alexandria, Va., who has been made assistant cashier of that institution.

It is with pleasure we note the promotion of Harry P. White, receiving teller of the Union Savings Bank, of this city, to the position of paying teller of their central branch, which will be located in the former Central National Bank building. Mr. White was our efficient assistant secretary for the year of 1909-1910.

Dr. C. W. A. Veditz has announced that he will hold a preliminary examination some time the latter part of March, and it is the desire of the educational committee that the members take advantage of this examination.

